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8 JULY 1987

CHINA

CONTENTS

POLITICAL

Hu Sheng: Open Policy Historical Necessity (Hu Sheng Interview; ZHONGGUO XINWEN SHE, 15 Jun 87).....	1
Award for Liu Binyan Work Embarrasses Authorities (Shih Lei; MING PAO, 2 Jun 87).....	4
Beijing Conference Discusses Initial Stage of Socialism (NONGMIN RIBAO, 15 May 87).....	6
Wan Li, Bo Yibo Denounce Bureaucratism (Deng Bin; Beijing Domestic Service, 6 Jun 87).....	10

ECONOMIC

NATIONAL AFFAIRS, POLICY

JIEFANGJUN BAO Views Problems of Inflation (Zhang Nanzheng; JIEFANGJUN BAO, 26 May 87).....	12
Maintaining National Economic Growth (Liu Guisu; JINGJIXUE ZHOUBAO, 1 Mar 87).....	15
RENMIN RIBAO on Reform of Distribution System (Zhuang Qidong, Wang Di; RENMIN RIBAO, 5 Jun 87).....	20

PRC To Study Performance of Large State Enterprises (Olivia Sin; SOUTH CHINA MORNING POST (BUSINESS POST), 16 Jun 87).....	27
PROVINCIAL	
Guangdong County Cited as 'National Pace-Setter' (XINHUA, 5 Jun 87).....	29
Yunnan Official 'Optimistic' About Future (Olivia Sin; SOUTH CHINA MORNING POST (BUSINESS POST), 29 May 87).....	31
Xinjiang Becomes More Prosperous Under Reform (XINHUA, 31 May 87).....	34
Shanghai Plant Receives Large Foreign Loans (XINHUA, 15 Jun 87).....	37
Fujian's Hu Ping Gives Government Work Report (XINHUA, 12 May 87).....	39
Xue Ju Reports on Zhejiang Government Work (Xue Ju; ZHEJIANG RIBAO, 25 May 87).....	40
Briefs Shanghai Economic Television Station	69
INDUSTRY	
LIAOWANG on Formulation of PRC's Industrial Policy (Li Shiyi; Du Yaojin; LIAOWANG OVERSEAS EDITION, No 22, 1 Jun 87).....	70
Statistical Bureau Releases Industrial Output Figures (XINHUA, 8 Jun 87).....	76
Industrial Output Value Rises in May (XINHUA, 10 Jun 87).....	78
Shanghai Industrial Output Value in May Shows Increase (XINHUA, 5 Jun 87).....	80
Investment To Boost Chemical Fiber Output (Xie Songxin; CHINA DAILY, 10 Jun 87).....	81
Firts Quarter Textile Output Values Published (XINHUA, 10 Jun 87).....	83
Briefs Increased Exports Urged	84

CONSTRUCTION

CEI Reports Cement Market Supply Flow (XINHUA, 8 Jun 87).....	85
Evaluation of Key Projects Pays Dividends (XINHUA, 6 Jun 87).....	86

COMMERCE

New Type of Sales System Taking Shape (Gang Yi; CHINA DAILY, 11 Jun 87).....	87
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FOREIGN TRADE, INVESTMENT

Joint Venture To Begin Work Soon at Daya Bay Plant (XINHUA, 11 Jun 87).....	89
Prohibited Imports List Increased (Olivia Sin; SOUTH CHINA MORNING POST (BUSINESS POST), 15 Jun 87).....	90
More Active Barter Trade With East Europe Expected (Da Chansong; CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT), 15 Jun 87).....	92
Nation Trying To Improve Trade Ties With Bangladesh (Zhang Yu'an, Ma Lixin; CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT), 15 Jun 87).....	94
Trade With USSR Helps Heilongjiang Infrastructure (XINHUA, 15 Jun 87).....	96
CITIC Expands Overseas Business Operations (XINHUA, 17 Jun 87).....	97
Briefs Polyester Fiber Import.....	98

TRANSPORTATION

Liaoning's Dandong City Reforms Port Administrative System (Liaoning Provincial Service, 30 May 87).....	99
Bids Called To Build Beijing-Tianjin-Tanggu Link (Xu Yuanchao; CHINA DAILY, 13 May 87).....	100

Briefs	
Shandong New Railway Section	101
Lanzhou-Xinjiang Railroad Upgrading	101
New Shandong Airport	101
Chiwan Harbor Improves Capacity	102
East China Railway Construction	102
Chen Muhua Names Shanghai-Built Ship	102
Guangxi Port Projects Completion	102
New Guangdong Railway	102

AGRICULTURE

Decline in Jute, Hemp Output To Continue in 1987 (CHINA DAILY, 11 Jun 87).....	103
Animal Husbandry Machinery Output Rising (Wang Xingcun; CHINA DAILY, 11 Jun 87).....	104
Illegal Trading in Grain Coupons Noted (Li Xiguang; CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT), 15 Jun 87).....	105
Large 1986 Harvest of 'Aquatic Products' Reported (XINHUA, 15 Jun 87).....	107

Briefs	
Agricultural Loans	108
Hebei Beer Output	108
Shandong Pigs Decline	108
Shanxi Water Conservancy Loans	108

SOCIAL

CYL To Lead Fight Against Juvenile Delinquency (Chan Wai-Fong; HONGKONG STANDARD, 10 Jun 87).....	109
Student's Practical Experiences Lead to Responsibility (XINHUA, 8 Jun 87).....	112

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HU SHENG: OPEN POLICY HISTORICAL NECESSITY

HK161033 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1315 GMT 15 Jun 87

[Interview with Hu Sheng, president of the Chinese Academy of Social Sciences by reporter Liu Zhaoyi: "Implementation of the Open Policy Is an Inevitable Result of the Development of Chinese History"--date and place not given]

[Text] "Since adopting the policy of opening up to the outside world in 1978, China has gained some practical benefits for its own development. Treating the open policy as one of China's basic national policies is unanimously supported by people in all circles. China will resolutely and continuously implement this basic national policy," said Hu Sheng, president of the Chinese Academy of Social Sciences in an interview with this reporter.

Mr Hu Sheng is an authoritative theoretician and a well-known specialist on modern Chinese history. After expounding and analyzing the course of the development of modern China, Hu Sheng pointed out that there is a profound historical background to implementation of China's open policy and that implementing this policy is an inevitable result of modern Chinese history.

Hu Sheng said: China had previous experience of being forced to open up to foreign countries under the gunboat policies of Western countries. This was the experience of a Chinese people suffering from national disasters and humiliation. In the 100 years before 1949, the year when the New China was founded, China was invaded and oppressed by various world powers. Since the 1840s, foreign aggressors had defeated China several times. In addition to barbaric plunder, the foreign aggressors imposed on China one unequal treaty after another, and seized various privileges in China. Consequently, China maintained independence in form, but in fact lost almost all the attributes of an independent country. China became a semi-colonial country that was very backward economically and culturally, and its internal affairs were often interfered with by foreign countries.

Since the 1870s and 1880s, all people of insight and all patriotic groups and parties have done their best to rid China of this situation. Many people wished to push China to take the capitalist road according to the pattern of Western countries. Hu Sheng said: After all these attempts came to failure, the Chinese people had to seek a new road for China to restore its independent sovereignty, to stand on its own feet in the

international community, and to exist equally with other countries. This was the strong desire of successive Chinese generations. The Chinese people oppose imperialist invasion and oppression but of course are not restoring the closed-door policy of the feudal dynasties. China once had frequent business and cultural contacts with foreign countries, so it is totally wrong to describe the struggle of the modern Chinese people for national liberation as "xenophobic." In fact, in the course of fighting foreign invaders, the Chinese people constantly absorbed advanced science and technology and useful ideas and culture from the West.

When discussing developments in various fields after the founding of the New China, Hu Sheng said that the dream cherished by the Chinese people over several generations, for independence, freedom, democracy, and unification has come true. This has opened up bright prospects for China's progress and development. Over the past 30-odd years, China's economic strength and living standards have increased greatly. However, China's economic development has not been smooth and China has suffered setbacks and made quite a few mistakes. This is why China has not thoroughly changed its economic backwardness. Over the past 8 years or so, China has conducted economic structural reform and adopted the open policy to promote socialist modernization. Facts have proved that this is a correct road for accelerating China's progress and development.

"Why did China not adopt the open policy until the late 1970s?" asked this reporter.

Hu Sheng made an analysis, saying that the Chinese leaders adopted an active attitude in early years after the founding of New China, but the United States and other countries under its influence adopted a policy of blockade toward China. Since the 1960s, the Soviet Union has adopted a similar policy toward China and China had to rely on the policy of self-reliance in its development. Under such historical conditions, in the minds of the Chinese leaders, self-reliance meant closing the country to international contacts. In fact this was the situation at that time. To a big country like China, the policy of self-reliance is undoubtedly very important, but self-reliance does not mean cutting off contacts with the outside world. In the early 1970s, the Chinese leaders started making many attempts to change this situation.

Hu Sheng said: Since the 3d Plenary Session of the 11th CPC Central Committee at the end of 1978, the Chinese leaders, in reviewing their mistakes in previous work, clearly realized that if China failed to open up to the outside world, it could not build the four modernizations. Thus China adopted the policy of opening up to the outside world over a long period and constantly expanding and developing economic trade, technological exchange and cooperation with all countries, including developed capitalist countries.

Implementing the open policy has promoted China's development, but it has also introduced some unhealthy things from Western countries. Therefore, some people doubt whether China will implement the open policy over a long period. On this problem, Hu Sheng held that China adopts the open policy with an independent spirit. It has not only seen the practical interests brought to the country by this policy, but is also able to overcome some negative effects caused by the opening up policy. The Chinese people have universally accepted and acknowledged the basic national policy of opening up to the outside world, so the Chinese Government will of course continue to resolutely implement it.

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CS0: 4005/765

AWARD FOR LIU BINYAN WORK EMBARRASSES AUTHORITIES

HK040905 Hong Kong MING PAO in Chinese 2 Jun 87 p 10

[Special dispatch by Shih Lei (4258 4320): "New Turmoil in Literature and Art Circles Over Award for Liu Binyan Work"]

[Text] Beijing, 1 Jun--Recently, Liu Binyan's reportage "China Above the 39th Floor" was elected the third of the 20 most outstanding pieces published by RENMIN WENXUE in 1986. This caused a new turmoil in the mainland's literature and art circles. The sponsor unit found it difficult to handle the matter, and the result of the public appraisal could not be made public.

Since he was dismissed from the party 24 December last year, this kind-hearted writer has been completely silent. However, his name has often appeared in overseas newspapers and journals and, in the mainland, whenever he is discussed, people seem to be talking about the great historical deeds of a hero.

The readers in mainland China liken Liu Binyan's reportage as a dagger stabbing at feudal autocracy and rotten ideology. His "People or Monsters?" exposes the evil practices of Wang Shouxin and, through this character, delineates the serious defects of mainland society. It has thus been looked upon with hatred by persons in power. His "A Second Kind of Loyalty" smashed the deified image of Mao Zedong, thus bringing him great misfortune. Liu Binyan was already in trouble before the "anti-liberalization" drive began so shortly after it started he became its first target.

The press, which is controlled by the conservatives, was ordered not to carry Liu Binyan's works, and some journals were forced to delete pages carrying Liu's works. However, in the hearts of the broad masses of readers, Liu Binyan is always a hero who dares to voice the aspirations of the people.

RENMIN WENXUE holds an annual event to choose outstanding works through public appraisal. This year, the event occurred as the "anti-liberalization" drive was steadily unfolding in the literary and art circles and in the press circles. Chief editor Liu Xinwu was temporarily relieved of his

post for self-examination, and the event took place under the "auspices" of the Chinese Writers' Association, the Propaganda Department of the CPC Central Committee, and the Media and Publications Bureau. The 20 most outstanding pieces were chosen through voting.

People in literature and art circles pointed out that after Liu Binyan was dismissed from the party, relevant authorities instructed party newspapers to publish a number of articles criticizing him, in hopes that his influence among the masses could be eliminated and that those who advocated "liberalization" would not win the support of the people. However, contrary to their expectations, Liu Binyan's "China Above the 39th Floor" won third place in the public appraisal.

This made the authorities feel very awkward and they refused to allow the sponsoring unit to publish the results. Several alternatives were suggested, to no avail. For instance, if only the titles of the works were announced without announcing the names of authors this would have a negative effect; if only the first, second, and fourth place winners were announced but not the third, this might arouse public indignation. Thus, before an appropriate solution is found, the announcement of the result cannot but be delayed indefinitely.

It was also learned that Hong Kong's Literature and Art Association has invited two writers to Hong Kong, one from Taiwan and the other from the mainland. Chen Ying-chen [7115 2503 4176], the Taiwan writer, is in Hong Kong as scheduled, but the mainland writer, Liu Binyan, still cannot come since his passport has been revoked by the mainland authorities. People in Hong Kong's literature and art circles consider it a real pity that he cannot come.

When interviewed by Hong Kong reporters, Chen Ying-chen said he wished to express his sympathy and support for Liu Binyan, who dares to defy brute force. The Taiwan writer, who was once jailed by the KMT and thus became famous on the mainland, said: "It is really ridiculous to say that Liu Binyan advocates 'bourgeois liberalization.'"

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CSO: 4005/750

BEIJING CONFERENCE DISCUSSES INITIAL STAGE OF SOCIALISM

HK271301 Beijing NONGMIN RIBAO in Chinese 15 May 87 p 1

[Text] Editor's note: China's rural reform has been going on for 8 years and has scored some achievements attracting worldwide attention. This great practice has raised many new issues to be studied and discussed in terms of theory.

For example: How should we correctly assess the achievements of rural economic structural reform? Has reform disrupted the rural economy? How should we look upon the relationship between planning and the commodity economy? Does the development of commodity economy mean engaging in capitalism? How should we view the role of the system of contracted responsibilities on the household basis with payment linked to output? Has the system of contracted responsibilities on the household basis damaged the basis for the collective economy? How should we understand the policy of developing multiple economic elements on the premise of relying mainly on public ownership? Does it mean a deviation from the direction of socialism to allow the existence of the individual economy and private enterprises? To correctly answer these questions, we have to clearly understand some basic facts about China, such as it still being in the initial stage of socialism, because this scientific thesis is the objective basis for our party's current policies. This scientific thesis points out that China engages in socialism rather than capitalism and will not retrogress. It also points out that as China is still in the initial stage of socialism we should not raise excessive demands and be impatient for successes regardless of this most fundamental national condition. As long as we can gain a clear understanding of this issue in terms of theory, we can comprehensively and correctly implement the lines, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee.

At present, a small number of people have begun to doubt and waver in the rural reform as well as the current policies of the rural reform. This is mainly because they do not have a clear understanding of this basic national condition that our country is presently still in the initial stage of socialism. They do not understand that because the most fundamental characteristic of the initial stage of socialism is the backward productive forces, and the most fundamental task of this stage is to develop the productive forces, it is necessary to adopt realistic policies to promote

rapid development of the productive forces. The rapid development of the rural economy over the last 8 years has proved that the party's current rural policies are entirely correct. To stabilize the rural economy, we should stabilize current rural policies. Otherwise, if people begin to doubt the party's current rural policies they would be on tenderhooks. If people no longer engage in production and business but do something like felling trees, slaughtering pigs, and so on, how can we develop productive forces and maintain the socialist orientation?

To help rural cadres clearly understand that China is still in the initial stage of socialism, to better enforce party policies, and to further promote and deepen the rural reform, the editorial board of NONGMIN RIBAO especially invited experts and scholars from Beijing theoretical circles to a symposium. NONGMIN RIBAO will continue to further discuss this issue with these comrades and rural workers in a thoroughgoing way. [End editor's note]

Only by regarding the scientific thesis proposed by the party Central Committee that "China is still in the initial stage of socialism" as guidance can we promote rural reform to develop healthily and in a thoroughgoing way. This opinion was repeatedly echoed by the experts and scholars attending the theoretical symposium held by the editorial board of NONGMIN RIBAO on 6 May.

The comrades attending the symposium believe that the scientific conclusion that "China is still in the initial stage of socialism" is of major theoretical, practical, and political significance. Obtaining a clear understanding of this conclusion, we can avoid both "leftist" and rightist mistakes on the issue of building socialism in China, and better understand the lines since the 3d Plenary Session of the 11th CPC Central Committee and more consciously uphold the four cardinal principles and enforce the policy of reform, opening up to the outside world, and invigorating the domestic economy.

The participants presented comprehensive arguments on such issues as the concept, characteristics, and protractedness of the initial stage of socialism. They generally believe that issues concerning the peasants, rural areas, and agriculture are fundamental, important aspects of the initial stage of socialism.

Comrade Zhong Peizhang [6988 3099 3864], special advisor to the Media and Publication Bureau, said that the notion of the initial stage of socialism is not purely an abstract theoretical issue, but a practical issue with an important bearing on and a direct guiding significance for socialist construction in China. The plans for our current reform and construction should be based on the understanding that we are still in the initial stage of socialism. We should no longer undertake stupid and hard things to transcend this social stage any more.

In his speech Comrade Ma Hungmo [7456 7703 2875] of the Central Party School said that the initial stage of socialism we are discussing is the initial stage of Chinese socialism, not European, Soviet or any other. The actual socialist society in China is a negation of the semi-feudal and semi-colonial society, while the socialism Marx often talked about is a negation of the highly developed capitalist society. Therefore, we have to accept these complex social and historical legacies in considering the initial stage of socialist development in China. The outstanding issue in China is the issue of 800 million peasants.

Comrade Li Youbin [2621 0645 3453], a member of the HONGQI editorial board, said that when discussing the initial stage of socialism, people should first talk about the basic attributes of socialism. At present, people have all recognized this initial stage, but they have different aims, methods, and conclusions. Some comrades believe that it is indeed the initial stage of socialism. Others believe that this initial stage still belongs to the early stage of capitalism and therefore there is still a long way to go before entering socialism. Others feel that it is necessary to make up for the missed lesson of capitalism and quicken the process of total westernization. This is not correct. To resolve this issue, we should proceed from the fact that Chinese socialist society has been established for over 30 years to do well in socialist construction, to find the correct policies, and to make the principles clear.

Comrade Liu Wenpu [0491 2429 3877], deputy director of the Institute of Rural Development of the Chinese Academy of Social Sciences, said that the reforms initiated in all the socialist countries since the 1950s have reflected in essence one fact, namely, the "stepping back" mentioned by Lenin in the course of discussing implementing the new economic policies: "stepping back" from the theoretical socialism envisaged by Marx to the practice of building socialism in individual countries according to their own practices. In the past, people did not attach importance to the commodity economy, but they do now. In the past, people paid no attention to the individual economy, but they do now. In the past, they did not recognize the regulatory role of the law of value, but they do now. Therefore, in fact, the reforms by all the socialist countries are still in a stage whereby they have "stepped back" to a congruence with the national conditions of their own countries, searching for and exploring their specific roads.

Comrade Liu Fuyuan [0491 4395 0997] of the Institute of Rural Development of the Chinese Academy of Social Sciences, said that the most important characteristic of the initial stage of socialism in China is that the commodity economy is still not fully developed but is in the process of getting off the ground. Therefore, we have established an economic layout based upon public ownership and permitting the coexistence and development of varied economic elements and patterns. That is why we describe the initial stage as "initial." On the one hand, we should allow the existence and development of all economic elements and patterns which are favorable

to the development of socialist productive forces. On the other hand, we should not let things merely run their course and govern by doing nothing that goes against nature. We should exercise the subjective initiative of communists in reforming the objective world, govern by doing everything that is productive, and actively guide and support those economies that possess elements of public ownership.

The symposium was conducted in a very enthusiastic atmosphere and the participants spoke without inhibition and quoted copiously from many sources. Some comrades still wanted to air their opinions when it was already 5:00 pm.

More than 20 experts and scholars from central authority organs, scientific and technological departments, and the schools of higher learning attended the symposium. Director of NONGMING RIBAO Li Qianfeng [2621 0578 1496] and Chief Editor Zhang Guangyou [1728 1639 0645], and other responsible comrades, also attended.

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WAN LI, BO YIBO DENOUNCE BUREAUCRATISM

OW070833 Beijing Domestic Service in Mandarin 0700 GMT 6 Jun 87

[Report by station reporter Deng Bin]

[Text] The State Council held a plenary meeting this morning and decided to dismiss Forestry Ministry Yang Zhong from his post for his grave responsibility in the catastrophic forest fire in Daxingaling.

Acting Premier Wan Li presided over the meeting. On behalf of the State Council, Vice Premier Tian Jiyun thanked the PLA commanders and fighters, forest police, and the masses of workers and staff for their efforts in combatting the fire.

The meeting pointed out that the catastrophic forest fire in Daxinganling was caused mainly by confusion in enterprise management, lax discipline, violations of rules and work regulations, and serious bureaucratism on the part of leaders. Prevention of forest fires should be one of the main duties of the Forestry Ministry. The accident has thoroughly exposed the ministry leadership's failure to pay due attention to this important task and its irresponsible attitude toward the state forest resources and the people's lives and property. The principal responsible comrades of the Forestry Ministry bears unshirkable responsibility for the accident.

In summing up the meeting, Acting Premier Wan Li made an important speech on combatting bureaucracy. He said: As our party is the sole ruling party, administrative discipline and bureaucracy is a question concerning party workstyle. Bureaucracy is incompatible with the party's goal of serving the people wholeheartedly. Bureaucracy in government departments in particular can cause even graver damage to the party, the state, and the people. An official who abuses his powers and position for selfish interests is violating the party's discipline and Constitution. Therefore, we must wage a resolute and long-term struggle against bureaucracy. All government functionaries must foster the idea of serving the people wholeheartedly, not half-heartedly. Their service must be good.

Wan Li said: In order to improve service, all State Council departments must, first of all, work out principles and policies suitable for each department. The absence of such principles and policies is tantamount to committing a very serious bureaucratism.

Wan Li also emphatically pointed out that all departments and units must appoint people on their merits. Only by so doing can the central authorities' principles and policies be effectively implemented.

Wan Li said: Talented personnel should have political integrity as well as ability, wholeheartedly serve the people, and work for the party. We should ensure that they follow the mass line and seek truth from facts. In the case of those who ask for official posts from the party, their qualifications as party members should be reconsidered. He said: There should be a strict system of supervision and democratic centralism within the party in order to ensure that our party is free from bureaucratism and corruption, and is not divorced from the masses nor following an evil road. Only in this way can we obtain the masses' support and build socialism more rapidly with greater success.

Bo Yibo also spoke at the meeting. He said: The Daxinganling incident occurred 3 and 1/2 years after we started party rectification. This shows that party rectification has not yielded the anticipated results. He said: Bureaucratism has had a long history. New cadres should pay special attention to overcoming this problem and should not think that holding public offices means they have accomplished something. Provincial governors, ministers, and secretaries, who have not committed grave mistakes but have not scored any achievements after 2 or 3 years in office, should also be replaced. Those who have political integrity but not the ability should not be appointed to important posts, much less those who have the ability but not political integrity.

In conclusion, Bo Yibo said, the reason why we invited comrades of the departments concerned to this meeting is to raise a cry of warning: Let's guard against and correct bureaucratism; do not allow grave incidents like the Daxinganling fire to recur.

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CSO: 4005/765

JIEFANGJUN BAO VIEWS PROBLEMS OF INFLATION

HK310700 Beijing JIEFANGJUN BAO in Chinese 26 May 87 p 3

[Article by Zhang Nanzheng (1728 0589 1767): "How Should We Look at the Slight Inflation at Present?"]

[Text] Speaking of the reason for the rise in the general price level in his government work report to the Fifth Session of the Sixth NPC, Premier Zhao pointed out, "It is related to the slight inflation in actual economic life". This fits the objective condition of our country, and is the scientific judgment of seeking truth from facts.

Currency refers to the money in actual circulation, particularly the legal tender in circulation inside a country. It also includes the current deposits in banks in the form of checks. Inflation is an economic phenomenon in which money depreciates and commodity prices rise. It occurs when the total amount of cash (legal tender), and current deposits in banks, appearing in the form of checks whenever necessary, in actual circulation exceeds that objectively needed for commodity circulation. The fundamental condition for the occurrence of inflation is the circulation of banknotes. Unlike other hard currencies, such as gold and silver, banknotes are hardly of any value; they are only legal symbols of value. Therefore, as long as banknotes are in circulation, money will be issued in excess, that is to say, inflation is likely to occur. Of course, the nature and extent of inflation and the specific causes for its occurrence will greatly vary under different systems of social economy. Under the capitalist system, governments representing the interests of the bourgeoisie would artificially create serious inflation in order not to be perplexed by economic crisis, and to stimulate the recovery and prosperity of the economy. Under the socialist system, inflation of a less serious degree may occur sometimes. It is mainly caused by the insufficient understanding of the laws governing social economy, faults in planning, and ineffective macro control.

Inflation is not conducive to the steady development of the social economy. Generally speaking, if the rate of inflation is not more than one digit (such as 9 percent), the inflation condition is regarded as slight, but it will be serious if the rate rises to two digits (such as 10 percent). Slight inflation causes less harm to society. The more serious the inflation is the

greater damage is caused. It reduces savings and investment, and makes production stagnate and decline; it causes a blind allocation of materials and resources, and disrupts the implementation of economic plans; it leads to panic buying and pushes commodity prices to rise; it whets speculation activities, and affects and disrupts the market; it weakens the lending ability of banks and leads to a financial squeeze, because it causes an unreasonable redistribution of society's wealth and in particular infringes on the interests of the laborers who live on fixed wages, the stability of society is thus threatened. Therefore, most of the bourgeois elements with insight in the West resolutely oppose the inflation policies of their governments and clamorously advocate that they should get rid of the trouble caused by inflation, the "public pest of society". Of course, the capitalist private ownership system and the basic conflicts of the capitalist countries arising therefrom make it impossible for the capitalist system to curb inflation effectively. The fact that "stagflation" (the coexistence of economic stagnation and inflation) has occurred since the late 1960's in the capitalist world is the most convincing proof.

In the present stage, socialist countries still cannot put an end to the commodity-money relationship and the circulation of banknotes. Therefore, general conditions for the occurrence of inflation still exist. On a world-wide scale, though the occurrence of inflation is less frequent and the extent is less vast in all socialist countries than in capitalist countries, socialist countries have after all suffered from inflation in varying degrees one after another. Take our country as an example. We have experienced inflation that exerted rather enormous effects on us four times since the founding of our country. It occurred during the early post-liberation period, the "Great Leap Forward" and the 3-year difficult period, and the periods from 1979 to 1980, and 1985 to 1986. After conducting a concrete investigation and analysis of the major causes for the occurrence of the above inflation, we will know that except for the one that occurred during the early post-liberation, period, which was caused by special historical reasons, others chiefly sprang from the lack of profound understanding of the laws governing the socialist economic construction, and over-hasty and eager demand for changing the poor and backward condition of the country. As people go in for substantial and quick results and are too eager for success in socialist economic construction, funds for capital investment construction get out of control, "investment inflation" occurs, and credit inflation in banks will usually arise therefrom, that is to say, banks will be forced to lend out money in excess of the credit volume. This implies that too much money without the backing of materials has been put into the market by the banks. Inflation will certainly be caused in this way. It is noteworthy that apart from the characteristics of "investment inflations", the two spells of inflation since 1979 were also characterized by "consumption inflation". Such a characteristic was brought about by the irrational behavior of enterprises and the extensive competition for profits among enterprises during reforms and the transformation process between the old and new systems. If "investment inflation" and "consumption inflation" go together, expenditure will certainly exceed the national income level, and financial deficit is caused to the country. When financial deficit amounts to a certain level, money will certainly be issued for financial consideration, and inflation results.

Of course, inflation is not an incurable fatal disease. Socialist planned economy lays an objective foundation for eliminating some of the blindness caused by the commodity economy, and effectively curbs and overcomes inflation. Under the socialist system of public ownership of the means of production, the fundamental interests among laborers are the same. Therefore, by means of centralized planning, socialist countries can as a whole effectively exercise overall control over the scale of capital construction and make it conform to the national strength. By means of planning, the total wages and the rate of their increase can be macroeconomically controlled to suit the rise of the national income and labor productivity in society. Moreover, through various economic levers, such as tax revenue, price, and interest rate, socialist countries can also adjust the income of laborers from various sectors of the society, avoid any great difference in individual income from arising among laborers, and thus prevent and eliminate any inflation of consumption funds that may occur as a result of the blind competition for income among members of various sectors of the society. In short, as long as socialist countries can conscientiously control "investment inflation" and "consumption inflation" macroeconomically, inflation can be effectively curbed, serious inflation prevented, and the various undesirable effects caused by slight inflation eliminated within a short time. The condition of our country is exactly like this. Since last year, we have strengthened our macroeconomic control from various respects. By vigorous suppression of "investment inflation" and "consumption inflation", we promptly put the development of this slight inflation under control, and lowered the growth rate of the general retail price index of the entire country from 8.6 percent in 1985 to 6 percent in 1986. It can be projected that under the guidance of the policy of "consolidating, digesting, replenishing, and improving" laid down by the central authorities, and with the efforts made by the people of our country, the negative effects caused to the social economy by this slight inflation can be overcome quickly, our national economy will develop in a more steady and co-ordinated way, and smooth implementation of the economic reform will be facilitated.

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CSO: 4006/768

MAINTAINING NATIONAL ECONOMIC GROWTH

Beijing JINGJIXUE ZHOUBAO in Chinese 1 Mar 87 p 2

[Article by Liu Guisu [0491 2710 5686]: "How To Maintain the Optimal Growth of the National Economy," an abridged version of Liu's doctoral dissertation, entitled "Optimized Planning for an Ordered Structure of the National Economy," submitted to the Financial Science Institute, Ministry of Finance"]

[Text] The following conclusions result from the computational analysis of 18 programs:

1. The optimal structure of the national economy is a structure in which objective delimitations have been rationalized under otherwise unchanged conditions. According to these objective delimitations, it is possible that a certain sector, although showing abundant resources and a large capacity to increase production, also possibly capable of exceeding optimal output value, may still have to be restricted in its production so that the greatest benefit for the whole economy may be ensured. Conversely, if a certain sector has poor resources and difficulties in increasing its production, so that its production cannot attain optimal values, the organ in charge of macroeconomic control must give it immediate attention, increase the supply of resources to that sector, or urge it to tap undeveloped potential, improve technology, and enhance its capability for production increases. From the viewpoint of system engineering, it may be unreasonable to expect some sectors to double their output value, while in other sectors it may be reasonable to expect increases of threefold or more; it is precisely only by an organization of this nature that it will be possible to achieve greatest systematic benefits for the economy as a whole. If we insist that sectors needlessly double their output, it would only reduce the economic benefits for the economy as a whole and would cause great waste as regards distribution of financial resources. According to this trend of thinking, it is necessary in the overall planning of national economic development and in planning distribution of financial resources, to study the importance, advantage of resources, and potential for production increases not from the aspect of one individual sector, but rather to start out from the optimal structure when determining the growth rate and distribution of financial resources for the various sectors. In brief, the proper order to proceed is from the whole to the sectional, and not from the sectional to the whole.

2. The so-called rational growth rate is the growth rate of economic construction that starts out from the prevailing economic structure and goes on to determine a growth rate of economic construction that is required to attain the optimal national economic structure and a corresponding growth rate in all the various sectors. By determining the rationalized objective limits of the national economic structure, we can, therefore, correspondingly determine the objective limits of the rational growth rate. Only by obtaining the composite rational growth rates of the various sectors can we realize, under the same restrictive conditions, the optimal structure of the national economy and the largest national income. The composite of other growth rates brought about by the growth rates of certain sectors being higher or lower than their rational limits can only lead to a decline in overall benefits for the national economy. Whether the growth rate of a certain sector is excessively high or low is, therefore, not determined by the size of its absolute numerical values, but by whether it exceeds the rational growth limits. A growth rate that exceeds the rational limits, even if its absolute figures are not large at all, must also be counted as an irrationally high growth. If lower than its rational growth rate limits, even if its absolute figures are of considerable size, it must also be counted as an irrationally low growth, while a growth rate that corresponds to the rational limits of the growth rate, regardless whether its absolute figures are very large or very small, must in all cases be understood as rational.

3. The key points of the economy are only relatively so. The national economic system is in a state of continuous movement. If one would want to have the system remain constantly at optimal condition, it would be necessary to have all sectors maintain rational growth rates. However, because of the complexity of objective conditions, the actual developmental processes are uneven. It happens frequently that within a certain period of time, the growth rate may be too fast in one sector and too slow in another sector, facts which have an impact on the economic performance of the whole. Sectors where growth rates are too fast must be restrained, and those where growth rates are too slow must be made sectors due for key attention in the national economy of that period. According to China's historical experience, certain sectors have had a greater chance to become key sectors, such as agriculture, energy resources, etc., but these sectors are not permanently occupying key positions. Every attitude and method when rendered absolute is apt to obstruct the well coordinated development of the national economic structure. For instance, in 1958 during the "Great Leap Forward," China emphasized the steel sector to an excessive degree, and although the steel sector achieved for a time "spectacular" growth, structuring the economy according to the slogan "make steel the key link" led to a serious imbalance in the national economy and a huge decline in the beneficial results in the national economy. Later the Chinese people had to pay a heavy price for the readjustment of this kind of irrational structure. Should we not always remember this lesson?

Since China is lagging behind in energy resources, it is only right to make this a key sector now, but in order to ensure greatest national income over a medium-long and long period of time, the growth of the energy sector will also have to have its rational limits. It is not so that more is also better. If the growth rate of the energy sector exceeds its rational limits, it signifies an expenditure of huge amounts of investment funds, and this will aggravate

the stringency in financial resources in China's present condition of working from a weak foundation and experiencing great needs in every sector. It is, therefore, necessary to attend to the growth of the energy sector with an attitude of, on the one hand, recognizing its importance and, on the other hand, also refusing to accept it as an absolute.

4. Rational structure and growth rates provide the objective basis for the rational distribution of financial resources. National income is always limited within certain periods of time, and the key to rational distribution is to decide on a rational rate of accumulation. Accumulation is the material foundation of economic growth; its purpose is to satisfy long-range needs. The purpose of consumption is the satisfaction of the immediate livelihood needs of the people; it has a direct bearing on raising the living standard of the people, improving the quality of their lives, and on the degree of increase of motive forces of production. The distribution of national income, as between consumption and distribution, has a bearing on the correct handling of the contradiction between the people's immediate interests and their long-term interests. There are already data in China's historical experience for rational accumulation rates; for instance, an accumulation fund of more or less 25 percent of the national income was comparatively adequate. The basis for this assumption is that at that time the national economy developed fairly harmoniously, produced fairly satisfactory results, and the living standard of the people had steadily improved. Today, 20 years later, great changes have occurred in domestic and foreign economic conditions. China's population and material foundation is quite different from what it used to be, and it would obviously be quite inconsistent with the prevailing realities if we were to apply the data of past experiences to the present rate of accumulation. Widespread and serious attention has, therefore, been focused on the study of the rational delimitation of the rate of accumulation. This is not merely a topic of regional distribution but one that is also closely linked with the spheres of production. Rational structure and economic growth rates are precisely the bond in this relationship, because the various sectors of the national economy require different investments at different times to raise the unit growth rate (for instance 1/100).

In order to control how the growth rates of production values of the various sectors reach their rational limits, it is necessary to make periodically (1 to 2 years) specific technical and economic analyses in the various sectors. According to the relationship between the preceding year's growth rate of the production value of the sector in question and the investments in fixed assets, we must determine the scope of investment capital and the correspondingly increased amount of circulating capital, and then, according to the technological and economic conditions of the sector in question, determine one step further the ratio between capital construction investment and investments for renewals and transformations. On this basis, the scale and structure of nonproductive investments may also be added into the national income distribution system, and computed and balanced with the consumption fund. Of course, before this is done, the consumption fund will also have to undergo an independent process of accounting. An accumulation rate that is established in this way is one that maintains a balance between optimal economic growth and an appropriate increase of

people's consumption, and is not merely an accumulation rate balanced out within the sphere of distribution of financial resources.

5. Overfulfillment of plan is not to be advocated. During the economic construction of the past, the slogan "striving for overfulfillment of plan" was frequently raised as a means of encouragement. Moreover, once a sector achieved what the slogan proclaimed, the fact would be widely propagated and praised as an advanced model. This practice is open to question.

From the viewpoint of macroeconomic management, if we assert that the goal of the struggle for economic construction is set on a serious scientific basis, and that the national economic plan is also formulated according to this overall goal, through a process of repeated balancing of national strength with consumption needs of the people, giving consideration to the proper linkage between investments and production yield, and with due regard for the special restraints that have to be placed on relevant departments, then the framework of the general development of the entire national economy is also based on a serious scientific foundation. The task of departments in charge of comprehensive administrative control is then the control of the various sectors of the national economy as they conform with the plan, to have them fulfill the plan punctually, but not to push them to exceed the plan. If the growth rate of a certain sector exceeds what the plan demands, it is precisely as earlier analyzed, i.e., this will not create the best results for the composite system. Such cases should, therefore, be subjected to control and restraint, and should not be reason for encouragement and praise.

From the viewpoint of medium- and microeconomic management, the achievement of punctual plan fulfillment will require that all regions, trades, and enterprises be induced to formulate plans. Here too, there has to be a process of balancing, based on sector objectives and according to the relationship between investments and production yields, and considering restraints caused by goods in short supply. Generally speaking, we cannot ask everybody without exception to overfulfill their plans, but can merely demand punctual fulfillment of plan. Only if production in certain trades is adversely affected by the short supply of certain goods and some sectors have difficulties in fulfilling their plans due to that fact, should we encourage speedier production of the goods in short supply and urge overfulfillment of plans. As to the extent to which we should encourage and fix the amount of overfulfillment, we should watch to what extent it will have an effect on the fulfillment, but not overfulfillment, of the sectional plan.

The practice of encouraging overfulfillment of plan has the effect of unreasonably stimulating inflation in overall demand. Under conditions of a fairly general shortage of supplies, it is bound to result in excessive distribution of national income. It will also easily divert the attention of enterprises to areas of excessively high demand in the market, and will have them neglect the proportionate development of resources, technological transformation and technological progress, product development and improving product quality, in a blind pursuit of increased quantity, manufactured in a rough and slipshod way.

Is overfulfillment of plan then completely out? No, because objectives and plans become visible in subjective things, and they can never completely conform to realities. It is, therefore, quite possible that overfulfillment of plans will occur. The department in charge of macroeconomic administration must not blindly encourage overproduction, nor must it negatively stop overproduction. It must in such cases balance the objective realities of all quarters concerned and on its own accord promptly revise its original plan, then also demand that the various departments punctually fulfill the new plan, but it must not demand any overfulfillment of the new plan. The various sectors can then also only make plans for overfulfillment or plans for restriction of growth as regards their own demands, based on the increased plan for the economy as a whole. This process is a "rolling plan" procedure, and the plan determination is still in the direction from the economy as a whole toward the sectors, and not following the overproduction of certain sectors. It is not "one horse rushing ahead and a stampede following" without consideration for national strength and without attempting a proper equilibrium. As to the plan after revision, all sectors will also have quantitative limits of rational increases; it is not that each will go its own way and that more production over the original plan will be considered better. The departments in overall administrative control must transmit the plan to all sectors with limits fixed for the new rational increases, and demand punctual fulfillment, but not overfulfillment, of the new increased plan. This is the only way in which continuous adaptation to the realities of the changed situation can be achieved and in which optimal growth of the national economy can be maintained.

9808

CSO: 4006/480

RENMIN RIBAO ON REFORM OF DISTRIBUTION SYSTEM

HK170831 Beijing RENMIN RIBAO in Chinese 5 Jun 87 p 5

[Article by Zhuang Qidong (8369 0796 2639) and Wang Di (3769 4272): "Probing the Reform of the Distribution System in China"]

[Text] Analyses and Views on Reform of the Distribution System

The distribution system can be divided into two aspects, macroeconomic and microeconomic. The former refers to the principles, policies, and measures adopted by the state in regard to the distribution system and the latter refers to the internal distribution principles and methods of departments and enterprises.

Let us start with the macroeconomic distribution system. Since the 3d Plenary Session of the 11th CPC Central Committee, we have corrected the tendency in our guiding ideology to put one-sided stress on production and construction to the neglect of the improvement of people's living standards, which had been prevalent for quite some time in the past. In 1979 and 1980, the increase in the incomes of the urban and rural populations surpassed the growth rates of society's labor productivity and the national income. This practice was something similar to "repaying a debt."

During the Sixth 5-Year Plan, people's incomes continued to increase at a fairly rapid rate. The nation's total wages went up by 12.3 percent a year, and employees' average wages increased by 8.5 percent, increases of 7.9 percent and 4.2 percent respectively after price rises are factored in. If various social material benefits, subsidies, and other transferable [zhuan yi 6567 4448] incomes are added, the actual growth rate of consumption funds is higher. Since the increasing of people's incomes during the Sixth 5-Year Plan was something similar to "repaying a debt," it is understandable that they increased a little faster than in normal periods. However, with consumption growth outpacing the growth of the national income for a long time, an imbalance is bound to arise in the macroeconomy, total social demand is bound to outstrip total social supply, and the economy is bound to lack staying power. From a long-term point of view, this will do no good to the continued improvement of the people's living standards.

Actual developments in the situation show that when economic relations are not yet harmonized, increasing income levels by a wide margin will inevitably be accompanied by unfairness in the division and allocation of profits. Since the masses' expectations of increased income are too high, even if increases in wages and material benefits surpass the capability of state finances to withstand the strain, and people's incomes are increased considerably generally, they will hardly feel satisfied. If we compare the years 1984-86 with those of 1982-83, we can see that although wage increases in the first 3 years were insignificant, the masses received more substantial benefits and, moreover, the various aspects of the macroeconomy were relatively balanced. In the latter 3 years, although their income increased, the masses did not feel more satisfied than before, and there was disproportion between production and consumption.

The other aspect of the distribution system is the microeconomic distribution system, that is, the internal distribution methods of units. We have experiences both positive and negative in this regard. With the reform of the economic structure, the principles concerning the material interests of enterprises and individuals have been increasingly attracting people's concern and the decisionmaking powers of enterprises, in particular their power to own and use their self-raised funds, have been expanding rapidly. Enterprise leaders are well aware of the need to use material means, including wages and bonuses, to bring employees' enthusiasm into play and to foster their "feelings" and "centripetal force" for their enterprises. At present, apart from state unified wage readjustments, enterprises are entitled to use 3 percent of their total wages in wage-grade promotion, to put some wages on a floating basis, and to distribute additional bonuses on the premise of fulfilling bonus tax payments. Now experiments have been tried in selected units to link total wages with economic results or output. For example, coal mines have adopted a system under which contracts are signed to fix the amount of wages for every ton of coal; building construction enterprises have introduced a system under which contracts are signed to fix the amount of wages for every 100 yuan's worth of finished work, and railroad transport enterprises have implemented a system under which contracts are signed to fix the amount of wages for every ton-km. Moreover, more than 1,000 large and medium-sized enterprises have conducted experiments to link their total wages to delivery of taxes and profits to the state, and have put the two on a floating basis. These reforms undoubtedly serve as a noticeable improvement to the old wage distribution system. However, in terms of the current situation, problems remain, in particular that the wage relationships in enterprises have not yet been straightened out and that the "egalitarian" tendency in the distribution sector remains serious.

The reform of the internal distribution system of enterprises demands that the employees' incomes correctly embody the principle of distribution according to work and the differences between simple and complex labor and between manual and mental labor, and that a rational wage relationship be formed between production, management, and logistics departments, between "first-line regions" and "second-line regions," and between different posts and types of work in production. On the premise of not surpassing unified standard wages and total wages set by the state for enterprises, enterprises are encouraged,

in light of their labor conditions, to adopt their own forms of wage system, to widen the differences in remuneration between different personnel, to introduce in their internal departments reforms advantageous to the smashing of the practice of "everybody eating from the same big pot," and to use fully their designated powers and limited bonuses to bring employees' enthusiasm into fuller play.

Let us reflect on what we have done in the past. While attaching importance to the macroscopic wage system reform, we have neglected the reform of the internal distribution system of enterprises. The several major wage readjustments carried out in the past have failed to give better play to the employees' enthusiasm, and part of the bonuses which the enterprises could use flexibly has even been turned into "fixed" wages, thus dampening the employees' enthusiasm. At present, when standard wages are still to be put under unified state management, what the enterprises can dispose of independently is the part of their bonuses that they can use flexibly. Therefore, particular importance should be attached to the role of bonuses. Using bonuses well and distributing a little more in the way of bonuses does not mean indiscriminate distribution of bonuses. It is aimed at creating a rational disparity in this regard according to production and labor input. If the practice of "everybody eating from the same big pot" and egalitarianism is pursued in bonus distribution, the enterprises will put the "stake" of bringing the employees' enthusiasm into play on increases by the state in total wages for the enterprises. This will easily lead to irrational enterprise wage increases.

Currently, in the distribution system there are two outstanding irrationalities that call for close attention and a solution.

One is that the disparity in wage increases between different localities, departments, and trades is inadequately rational. The basic principle of socialist wage distribution is distribution according to work. All localities, departments, trades, and individual employees draw their pay according to the complexity, intensity, and quality of labor they contribute and their role in society's total labor. At the same time, when it comes to wage distribution, we should oppose both egalitarianism and great disparities in wages, and keep wage increases within certain ratios. However, in real life there are phenomena not consonant with the above-mentioned principle. This problem has attracted the attention of people concerned on all sides. Further investigation and study are still needed to work out rules and regulations in keeping with the present facts of the situation in order to solve the problem.

The other is that enterprises' wage growth is grievously affected by differential benefits. The ongoing enterprise wage reform is being carried out as the old economic structure is being replaced by the new one. The enterprises' economic targets, such as output value, profits, and profits and taxes turned over to the state, are affected by many factors, such as state investment, prices, geographical position, transport facilities, and raw and

semifinished material supplies. Hence, there are differential benefits, given which it is difficult to accurately reflect the enterprises' levels of production and operations. For example, when the prices of their raw materials rise but they are still not allowed to increase the prices of their products, some enterprises' profits will drop. But thanks to favorable price readjustments for their products, and even if they do not increase their production or improve their operations, certain enterprises will be able to earn greater profits. Under the current double structure, enterprises can continue "eating from the same big pot" of the old structure and enjoy the interests of commodity producers, thus gaining advantages from two sides. In particular, the present linkage of enterprises' total wages and economic results is a matter of vertical rather than lateral comparison, and man-made factors still play a role in defining wage bases and the ratios of taxes and profits to be delivered to the state. This will easily give rise to such phenomena as: The wage increases in the departments capable of delivering large amounts of taxes and profits to the state are lower than those in the departments capable of delivering only small amounts of taxes and profits to the state, and the wage levels of enterprises with high labor productivity are lower than those of enterprises with low labor productivity. With differential benefits being a fact, enterprises are competing with each other for such benefits. As a result, the wages of the enterprises with so-called good economic results have increased, and loss-making enterprises, and even enterprises whose losses are increasing, have to pay out wages as usual due to various reasons. The combination of the two is bound to lead to the situation in which the growth of consumption funds exceeds that of production and labor productivity.

The Principles and Ideas Concerning the Further Reform of the Distribution System

The general objective of the reform of the distribution system in China is to put an end once and for all to the practice of "everybody eating from the same big pot" prevailing in the relations of the enterprises to the state and in those of the employees to their enterprises, to handle well the relationships of responsibility, authority, and benefit among the state, the enterprises, and the employees, and to closely combine the remuneration of labor of the enterprises and employees with the enterprises' economic results and the amount of labor contributed by the individual employees, in order to bring the enthusiasm of everyone for building socialism into the fullest play. On the basis of the experiences, both positive and negative, gained over the last few years, we put forth the following principles and ideas.

First, in accordance with the basic tenets of Marxism, production determines distribution, and the total volume of consumption and distribution, the scope and methods of distribution, and the income level of the individual are all determined by the level of development of the productive forces. In the current economic targets, only the national income can indicate the value of the newly created material wealth in total social production after deducting material consumption. Therefore, distribution level is determined by the

level of the national income. The growth rate of the national income is the critical point in wage growth. Exceeding the point will lead to disproportion between accumulation and consumption and to total social demand surpassing total social supply. According to this requirement, the growth of total wages should be lower than that of the national income, and the growth of employees' average wages lower than that of the productive forces. We should pay close attention to these two levers, which we should follow in considering any propositions regarding increased fund allocations, job promotions, and wage reform.

Second, working hard and building the country with industry and frugality is the long-term guideline for the reform of the distribution system rather than an expedient. China has a population of 1 billion people, of whom 800 million are peasants. Although China's economic strength has grown significantly, the level of its production techniques and labor productivity remains very low. It is impossible to change this state of affairs once and for all in a short time. Therefore, for a considerable time to come, we should pursue a policy of low pay or "low pay, more employment." As early as the initial period of the founding of the PRC, Comrade Zhou Enlai pointed out this principle. In 1978, in his article "Adhere to the Principle of To Each According to His Work," Comrade Xiaoping pointed out: "We are following a policy of low pay, and will continue doing so for a considerable time to come." In 1986 a central leading comrade explicitly pointed out: Characterized by high employment and low efficiency, China has correspondingly to adopt a policy of low rather than high pay.

This being the case, we should continue to carry forward the Chinese nation's tradition of being hardworking and thrifty, avoid extravagance and waste, and check the spread of the practice of vying with each other in luxury and of displaying pomp. China is currently at the initial stage of socialism and on the eve of economic takeoff. On the eve and in the course of economic takeoff, many countries adopted a policy of restraining consumption appropriately, and none of the countries where economic reforms are not a complete success have not been involved in overspending. This is a lesson we should bear in mind for the long term.

Third, efforts should be made to perfect the macroeconomic control system. From a long-term point of view, we should further carry out the economic structural reform, overcome the enterprises' short-term behavior, and help enterprises assume their responsibilities and gradually enhance their capability to control consumption funds while giving them more powers, tax reductions, and more profits based on compromise.

Until enterprise behavior embarks on the right track, it is still necessary for the state to impose macroeconomic control over the enterprises' consumption funds using various economic means, and administrative means if necessary. The objectives of the state's exercising control over consumption funds using economic means in the near future are 1) to conscientiously maintain a rational ratio between accumulation and consumption and strike a dynamic balance

between social demand and total social supply; 2) to put the extent of price hikes under prudent control, tighten price controls, and avoid generating excessively rapid wage growth; 3) to readjust the relationships of interest distribution among the state, the enterprises, and the employees so that the level of profit retention and distribution relationships among different departments, localities, trades, and enterprises can gradually become rational; 4) to improve the methods of linking the enterprises' total wages with their economic results, reduce the differential benefits resulting from nonlabor factors in the enterprises' income as far as possible, and alleviate the contradiction of unfairness in the division and allocation of profits between different trades and different enterprises; 5) to use the lever of taxation to control the irrational growth of consumption funds and continue to implement and perfect the existing effective measures; and 6) to pay attention to solving the problem of the wide disparity in income distribution among members of society, indiscriminately levy a regulatory tax on the personal income of high income earners, and reduce the function of "the effect of competing for high income growth." To put it briefly, we should be more prudent in making major economic policy decisions on matters like wages and prices, in particular policy decisions concerning macroeconomic balances, and ensure the continuity and relative stability of major policy decisions and provisions to avoid drastic ups and downs.

Fourth, the focal point of the current reform of the wage system is to invigorate the internal distribution of enterprises. Since the longstanding abuses of the old system, such as "everybody eating from the same big pot," cannot be eliminated overnight and enterprise behavior cannot embark on the right track in the near future, for several years ahead it will be difficult for the state to spend more money readjusting wage relationships. Therefore, it is still necessary to continue using the method of fixing basic salaries (or allowing such salaries to be included as part of production costs) to keep the enterprises' wage growth under control. In this situation, it is particularly important to smooth out and enliven the internal distribution of enterprises. Enterprises must concentrate on the development of their internal departments, use the wages and bonuses in their hands well, and exert more efforts to combat egalitarianism.

The reform of the internal departments of enterprises, no matter what wage systems and forms are adopted, should be combined closely with the implementation of the economic responsibility system and should embody the distribution principle of rewarding the diligent and good and penalizing the lazy and bad. In distribution, it is necessary to retain the "flexible wages" proportion. If conditions permit, not only should we handle the distribution of bonuses in a flexible way, but we may also consider letting part of basic wages float to reduce the portion handled on an egalitarian basis and to expand that handled in accordance with the principle of distribution according to work. No matter what methods of distribution are adopted, it is necessary to improve production quotas, fixed numbers of workers, and rules and regulations to assess labor performance. This is the groundwork necessary for doing a good job in the reform of the wage system in enterprises.

In short, the reform of the distribution system is a long-term complex process. For a big socialist country with a large population and a weak economic foundation like ours, there are no ready or even similar experiences abroad for us to use as a reference for how to build a wage distribution pattern consonant with our national conditions. Therefore, we should discuss both theory and practice further and seek effective ways to solve the problems, such as the function of wages, the relationship between wages and prices, the masses' social psychology, the state's financial capacity, and the relationship between the state and the enterprises.

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PRC TO STUDY PERFORMANCE OF LARGE STATE ENTERPRISES

HK160110 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
16 Jun 87 p 1

[Article by Olivia Sin]

[Text] China is to conduct a study on the performance of large state enterprises, many of which have reported losses, according to official sources.

The enterprises will be classified into four categories and preferential treatment will be given to outstanding ones to encourage them to boost performance.

The move is seen as part of China's economic reforms which seeks to breathe new life into stagnant enterprises which will be made to shoulder their own profit and loss accounts.

The study is expected to shed light on the weaknesses and strengths of the various enterprises.

The sources said the State Economic Commission was working on a set of criteria to be used to measure the performance of the enterprises.

It is believed that the enterprises will be screened for their product quality, the standard of technology used, consumption level of raw materials and energy, productivity, the return on investment, profits and the workers' per capita tax paid to the government.

This is in marked contrast to the previous practice which used the gross value of industrial or agricultural output as the sole indicator for economic success.

Noted Chinese economist Qian Jiaqu has said that it was misleading to measure the performance of a region or factory by its output as the figures were inflated by "overlapping" of raw materials and energy costs.

One option being considered by the economic commission is to provide better performing enterprises with more autonomy to give bonuses to its workers as incentives.

With this opinion, the evaluation exercise will closely reflect the wage reform which allows "floating wages to workers in accordance with their performance."

Under the study, "superiority" awards will be granted to enterprises whose product quality and technological standards are on par with the current trend in the rest of the world.

Those enterprises whose product and technical standards "are a number of years behind" will be classified into either first, second or third grades depending on their performance.

Officials have said that large state firms were more difficult to reform than the small ones.

While the small ones could be leased out to a third party to improve management, it is almost impossible to find a citizen with resources to rent large enterprises with assets and production worth millions of yuan.

Because of controversial views and lack of consensus, Chinese leaders have restricted a pilot scheme to turn state enterprises into joint stockholding companies with shares held by individuals.

Opponents said it would be inappropriate to transfer state enterprises—or state property—into private hands under the socialist economy.

The move to gauge the effectiveness of state enterprises also coincided with the State Council's earlier instructions that all subordinate departments keep detailed records of their total input and output values so that their efficiency could be gauged.

The records should show how much money, raw materials and manpower have been invested and how much social wealth has been created.

State Planning Commissioner Song Ping has admitted that it was incomplete to measure the efficiency of a government unit solely by its output value.

He said the criteria of success should be increased revenue, decreased expenditure, higher production and greater conservation of raw materials.

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CSO: 4020/219

GUANGDONG COUNTY CITED AS 'NATIONAL PACE-SETTER'

OW050834 Beijing XINHUA in English 0614 GMT 5 Jun 87

[Text] Beijing, June 5 (XINHUA)--Nanhai County, Guangdong Province, one of the richest in the country, was cited by the PEOPLE'S DAILY today as a national pace-setter in achieving rapid economic growth under the policy of reform and opening to the outside world.

The county's earnings amounted to 2.74 billion yuan (about 740 million U.S. dollars) last year, up 21.9 percent from the previous year and four times as much as in 1978, the year before reform and the open policy were adopted.

Meanwhile, the paper said, the per capita net income of rural residents rose at an annual average rate of 100 yuan to reach 1,134 yuan in 1986, almost three times the national average.

The paper listed the following figures to illustrate Nanhai's economic growth:

--rural industries manufactured 2.15 billion yuan worth of goods last year and is now the county's economic pillar;

--agricultural output value reached 5.4 million yuan last year;

--1,100 hectares have been planted with fruit trees since winter, more than in the previous 35 years preceding 1986;

--deals struck on free markets topped 100 million yuan in 1985 and 200 million yuan last year; and

--there are 1,900 rural cooperatives and 11,000 family-run workshops, which now employ 60,000 people and manufacture 580 million yuan worth of goods a year.

As well, Nanhai County has set up 46 Sino-foreign joint ventures and cooperative businesses and introduced 46,863 sets of equipment. By the end of last year, the county had 347 factories that specialized in assembling parts and materials supplied by Hong Kong, Macao and overseas firms.

An accompanying commentary in the PEOPLE'S DAILY, China's leading newspaper, said that Nanhai's success has "proved the correctness and stability of existing rural policies of the Chinese Communist Party."

The rural policies were formulated by the Chinese Communist Party Central Committee by applying the basic tenets of Marxism in analysing China's actual conditions and summarizing the people's creativeness. The commentary noted, "The policies will function for a long time, hence the necessity of keeping them stable."

It repudiated as "extremely erroneous and harmful" the idea of extending the current struggle against bourgeois liberalism to the economy and to rural areas.

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CSO: 4020/216

YUNNAN OFFICIAL 'OPTIMISTIC' ABOUT FUTURE

HK290529 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
29 May 87 p 1

[Article by Olivia Sin in Kunming]

[Text] Yunnan's Vice Governor Zhu Kui has conceded that the province—situated in the remote southwest of China—is not open enough.

"Our transportation and telecommunication facilities are under-developed; we are also behind in our guest receiving capacity," he said.

"We will strive hard to open our doors wider to investors and tourists and perfect the country's open-door policy."

On a briefing for Hong Kong reporters, Mr Zhu said the province has signed 50 co-operative agreements worth a total of US\$100 million with foreign businessmen.

But he said the figure is "peanuts" compared to the \$2 billion worth of joint ventures in Guangdong Province.

Yunnan also lacks a sea port, an international airport and international direct dialling (IDD) facilities.

Development in the province has also been hampered by neighbouring Vietnam.

Large-scale warfare broke out between China and Vietnam in 1979, causing bloodshed and devastation on Yunnan's border area.

Since then, the two countries have reportedly been involved in minor conflicts, which continue to hurt the province's development.

"I can't say the border conflicts with Vietnam has no effect on the interest of foreign investors in our province," Mr Zhu said.

Nevertheless, he is optimistic about Yunnan's future. "We are rich in mineral, power and agricultural resources. Besides, we are endowed with tourist attractions."

To catch up with the more developed coastal regions, Yunnan has set ambitious goals in the next few years.

Mr Zhu said the province plans to nearly double its present export value to \$300 million by 1990—an annual growth rate of 18.4 per cent.

The figure is much higher than the country's average export growth of eight per cent set under the Seventh Five-Year Plan (1986-90).

Last year, Yunnan exported \$169 million worth of products—up 30 per cent from a year earlier. Hong Kong provides a market for about one-fifth of its products.

Yunnan also wants its gross domestic product to grow 8.5 per cent a year, reaching 24.5 billion yuan (about HK\$51.45) by 1990, or 1.5 per cent higher than China's average.

On the other hand, the province's industrial and agricultural output is expected to grow 7.5 per cent a year—marginally higher than the country's average of seven per cent over the next few years.

Mr Zhu said the province has [word indistinct] a goal to attract US\$100 million worth of foreign investment this year, the total of the sum attracted in the past six years.

Among the 50-odd foreign investment projects sealed so far, 23 are joint ventures and co-operative ventures in various fields like textiles, electronics and hotels.

The province is determined to upgrade its backward transportation, telecommunications and guest accommodation facilities.

Yunnan has ordered advanced telephone exchange mechanism and IDD services for locations such as Hong Kong.

Mr Zhu said large sums have been set aside to build highways, airports and railways to shorten the province's distance with the outside world.

In the next few years, the province is to spend 500 million yuan to build major highway links between the province's major tourist spots and production bases.

The railway between the capital of Kunming and Guizhou is being electrified, which would speed up exports through the Guangdong port of Zhanjiang.

The province plans to build seven more hotels to accommodate 200,000 tourists by 1990—double last year's visitors.

A 60-million yuan program has been launched to upgrade the Kunming airport to comply with international standards.

When the work is completed in 1989, the airport will be able to operate in all weathers and accommodate wide-body jets, like Boeing 747s.

China has only three international airports in Beijing, Shanghai and Guangzhou, with regional airports equipped to serve mainly domestic flight services.

Yunnan has self-financed the purchase of two Boeing 737 jets to improve its domestic services with major cities like Shanghai, Beijing, Xian and Guilin.

It operates four weekly flights to Hong Kong, comprising two CAAC [Civil Aviation Administration of China] scheduled flights and two chartered flights by Dragonair. CAAC also operates a weekly chartered flight from Kunming to Bangkok.

/8309

CSO: 4020/217

XINJIANG BECOMES MORE PROSPEROUS UNDER REFORM

OW311150 Beijing XINHUA in English 1037 GMT 31 May 87

["Roundup: Xinjiang Opens to Outside World"--XINHUA headline]

[Text] Urumqi, May 31 (XINHUA correspondent Wang Youfu)--The vast, land-locked Xinjiang Uygur Autonomous Region is becoming increasingly prosperous under China's policy of opening to the rest of the world.

According to the regional foreign affairs department, Xinjiang was visited by 48,500 foreigners, overseas Chinese, and Hong Kong and Macao people last year--200 times as many as in 1978, a year before the country adopted the open policy.

Xinjiang has an area of 1.6 million sq km--one-sixth of China's landmass, or three times the size of France. Its 5,000-km border is shared with the Soviet Union, the Mongolian People's Republic, Pakistan, India and Afghanistan. This multi-national region had a population of 13.44 million at the end of 1984.

Extending a Welcome

The regional capital of Urumqi and the new light industrial city of Shehezi were first in Xinjiang to open to foreigners, toward the end of 1978. Turpan City, best known for its ancient ruins, opened a year later; Hashi City, an important town on the ancient silk road that linked China with west Asia, opened in 1984; and the cities of Hami, Changji, Kule, Artux and Aksu opened last year.

With the approval of the local authorities, foreigners can go to another 20 cities and counties on tourist visits, scientific surveys, technical exchanges and trade discussions.

Xinjiang has opened 11 peaks, including Mount Qogir, the second-highest in the world, to foreign mountaineers since 1980.

Moreover, the Horgos and Tuerdat passes on the Sino-Soviet border in western Xinjiang opened four years ago. The Kunjirap pass on the Sino-Pakistan border opened in early 1983 and opened to people of third countries in May 1985.

Flights from Beijing to Addis Ababa and Istanbul make stops in Urumqi, and an air route from Urumqi to Alma-Ata in the Soviet Union will open soon.

Transport Facilities Improving

A 470-km railway is being built in northern Xinjiang to link up with a railway in the Soviet Union. Track laying on a 240-km section is expected to be completed in October.

Last year, the central government earmarked 125 million yuan (about 34 million U.S. dollars) for the asphaltting of a 420-km section of the Sino-Pakistan highway on the Pamir Plateau. This project is scheduled for completion next year.

Over the past few years, Xinjiang has bought four jet airliners and opened eight air routes to the major Chinese cities of Beijing, Shanghai, Tianjin, Guangzhou, Chengdu and Xian.

Cooperation

The influx of foreign tourists alone brought 8.56 million U.S. dollars to Xinjiang last year. The region also sent 273 groups totalling 915 members abroad for visits, scientific surveys, trade discussions and economic cooperation in 1986.

Xinjiang now trades with Hong Kong and 50 countries including Australia, Britain, Canada, France, the Federal Republic of Germany, Japan, Poland, the United States and the Soviet Union. Its foreign trade volume rose from 24.36 million U.S. dollars to 284 million U.S. dollars last year.

The regional authorities plan to increase Xinjiang's foreign trade volume further to 500 million U.S. dollars in 1990. They have also decided to shift the focus of trade to the Soviet Union, central Asia and the Gulf countries.

Xinjiang exports minerals, farm products, animal by-products, textiles and light industrial goods in exchange for rolled steel, cement, chemical fertilizers, motor vehicles, farm implements, petroleum products and machines.

Operational in Xinjiang now are 18 foreign-funded enterprises, involving 25 million U.S. dollars in foreign investment.

Working or teaching in Xinjiang now are engineers and professors from Australia, Britain, France, the Federal Republic of Germany, Japan, Poland, the United States and the Soviet Union.

Three French geophysical survey teams have helped discover a large oilfield in the eastern Junggar basin in northern Xinjiang, and U.S. geophysical survey workers are searching for oil in the desert of the Tarim basin in southern Xinjiang. Soviet technicians are helping Xinjiang service airlines.

New Vitality

Xinjiang turned out 16.33 billion yuan-worth of manufactured goods and farm products in 1986, up 11.2 percent from the previous year. It has reported good harvests for nine years in a row, and its grain output rose 9.7 percent from 1985 to 5.45 million tons last year.

Also in 1986, Xinjiang signed 1,080 economic cooperation contracts with other parts of China.

Earlier this year, the Xinjiang regional authorities revised regulations for the encouragement of foreign investment as part of their efforts to improve investment conditions and open the region still wider to the rest of the world.

/8309

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SHANGHAI PLANT RECEIVES LARGE FOREIGN LOANS

OW151118 Beijing XINHUA in English 0808 GMT 15 Jun 87

[Text] Shanghai, June 15 (XINHUA)--Shanghai will receive three foreign loans totalling 242.31 million U.S. dollars for a massive petrochemical project under a contract signed here this morning.

According to the contract concluded with international banking consortia, the Shanghai branch of the People's Construction Bank of China will use the loans for construction of a petrochemical plant designed to produce 300,000 tons of ethylene a year.

Chen Muhua, state councillor and governor of the People's Bank of China, attended today's signing ceremony.

The first loan, amounting to 150 million U.S. dollars, will come from an international banking consortium consisting of 28 banks, including Citibank N.A. of the United States, Japan's Industrial Bank and Tokyo Bank, and Banque Indosuez of France. The loan has a term of 10 years and a grace period of 54 months.

The second loan, totalling 10 billion Japanese yen, will be extended by a group of 18 foreign banks, led by the Industrial Bank of Japan. The loan's term and grace period are the same as the first one's.

The third loan, worth 26.3 million U.S. dollars, takes the form of an export credit from Italy, with Citibank serving as the intermediary. The loan has a term of 13 years and three months.

This is the first time that the Shanghai branch of the People's Construction Bank of China has taken out foreign loans, Shanghai Bank officials said, adding that the loans are the biggest foreign loans Shanghai has borrowed since it started to pursue the open policy in 1979.

When completed, the petrochemical plant, one of China's top-priority projects during the 1986-90 period, will turn out 3.25 billion yuan (about 880 million U.S. dollars)-worth of petrochemicals, and yield 950 million yuan in taxes and profits a year.

The plant hopes to raise 884 million yuan in China and 272 million U.S. dollars in hard currency for its first-phase construction. Earlier this year, the Shanghai branch of the People's Construction Bank of China sold the first batch of 140 million yuan in bonds in all parts of China and Hong Kong.

The branch will sign business cooperation agreements with Citibank, the Industrial Bank of Japan and Tokyo Bank, and Banque Indosuez later today and tomorrow.

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FUJIAN'S HU PING GIVES GOVERNMENT WORK REPORT

OW121754 Beijing XINHUA in English 1506 GMT 12 May 87

[Text] Fuzhou, May 12 (XINHUA)--South China's Fujian Province will adhere to current policies designed to promote systematic and steady economic development, provincial governor Hu Ping announced today.

In a report on government work at the sixth session of the Sixth Provincial People's Congress, Hu said, "since implementation of China's open policy, Fujian has witnessed important changes in the province's economic development."

"Compared with eight years ago," the governor said, "last year the social output value and national income increased 2.5 times, while provincial revenue and the resident's average consumption index also doubled."

"Over the past few years, Fujian has invested 3.7 billion U.S. dollars in the energy, transportation and raw material industries," the governor explained, adding the energy generated by power plants, and the cargo and passengers handled by ports and airlines have also doubled.

The governor put forward some guidelines for future economic growth including giving the farming industry more autonomy to further develop the province's agricultural commodity economy.

"We should keep capital construction within the province's financial capability," the governor said, "and we have to pay attention to perfecting our economic structure and adjusting imbalances in its growth."

"Efforts to keep prices stable by matching production with market demands is also necessary," he said.

The governor stressed the need to further check population growth, by saying, "we will try to keep the birth rate under 10.5 per thousand."

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XUE JU REPORTS ON ZHEJIANG GOVERNMENT WORK

OW110007 Hangzhou ZHEJIANG RIBAO in Chinese 25 May 87 pp 1, 2, 3

[Report on Work of Government Delivered by Governor Xue Ju of Zhejiang at the Fifth Session of the Sixth Zhejiang Provincial People's Congress on 15 May 1987]

[Text] Fellow deputies,

On behalf of the provincial people's government, I hereby submit my report on its work for your deliberation.

1. Review of Work in 1986

Nineteen eighty-six was the 1st year for implementing the "Seventh 5-Year Plan." The work of the provincial People's Government was mainly carried out on the basis of the requirements set by the "Seventh 5-Year Plan for 1986 Economic and Social Development in Zhejiang Province," examined and endorsed by the fourth session of the Sixth Provincial People's Congress. The various major tasks for 1986 economic and social development in Zhejiang have been successfully accomplished, thanks to the unremitting efforts of the broad masses of cadres and people throughout the province. We made a good beginning in carrying out the "Seventh 5-Year Plan." If we give a realistic appraisal to our work for the year, we may summarize our conclusions in one sentence: The situation is fine, but we are faced with many problems.

Zhejiang's economic development in 1986 remained normal and healthy. The total produce of society of 1986 in the whole province surpassed 100 billion yuan. Of that sum, total output value of industry and agriculture was 86.69 billion yuan, an increase of 17 percent over the previous year. National income in Zhejiang totaled more than 42 billion yuan, and it was the first time the per-capita national income in the province exceeded 1,000 yuan.

In carrying out industrial production, we witnessed a steady growth, while extricating ourselves from the situation of an excessively higher rate of growth in 1985, and an excessively lower rate of growth in the 1st quarter of 1986. The total industrial output value for the whole of 1986 reached 67.486 billion yuan (including industries at and below village level), marking an increase of 19.8 percent over the previous year. The product mix was further readjusted.

The output of exports products, such as woolen goods, beer, color television sets, household refrigerators, and other readily marketable products, able to earn foreign exchange, rose on a large scale. New varieties and products were on the increase at all times. A total of 510 varieties of new products won "Gold Eagle" prizes for their excellent quality. Rapid growth was witnessed in developing the power industry, processing crude oil, manufacturing plate glass and cement, and producing more raw and semi-finished products. New results were attained in saving energy. A total of 1.35 million tons of standard coal were saved in the whole year. More was invested in developing communications and transportation, while traffic on some highways and waterways were unclogged. Conditions in the postal and telecommunication field were improved. Various enterprises quickened their pace in renewing production facilities and carrying out renovations, after they had preliminarily controlled the excessively high rate of growth in increased fixed asset investment. The investment ratio rose to 32.9 percent from 28.2 in 1985. Five key state projects, including the Qinshan Nuclear Power Plant, Ningbo Harbor, and the Jinshuitan Power Plant met state requirements in construction.

The rural commodity economy continually developed with sustained vigor. Compared with last year, total grain output dropped 1 percent to 16.05 million metric tons, because of reduced acreage and serious disasters in some localities. Rapid progress was made in diversification, particularly in the production of freshwater fish, melons, fruit, and vegetables. Since the meeting on work in mountain areas, the policy for further economic development in the mountain areas has been stressed. Progress was made in the implementation of the responsibility system for mountain forests, and the people's enthusiasm in afforestation, particularly in planting economic forests, was aroused. Governments at all levels took a series of measures to help the poverty-stricken mountain areas develop their economy. Changes for the better have taken place in five mountain counties: Panan, Jingning, Wencheng, Taishun, and Yongjia. Village and town enterprises continued to grow. Headway was made in industrializing the rural areas' total social output. The decrease of 1.96 million metric tons of grain in 1985 over the previous year caught the leadership's attention at all levels. Investment in agriculture increased. In addition to the government's allocation of over 200 million yuan, farming subsidies from the industrial enterprises also increased to 230 million yuan, or 50 percent over the previous year. Many localities focused their attention on water conservancy construction. According to statistics, between last winter to this spring, some 67.54 million man-days were spent in farmland and water conservancy construction. Some 8,020 cubic meters of earth and stone work were completed, and 500,000 mu of low-yield fields were improved. Xiaoshan County mobilized over 100,000 civilian laborers to reclaim 520,000 mu of land from sea beaches. This showed that, even after the responsibility system has been implemented and the commodity economy developed in the rural areas, the peasants can still be organized to engage in large-scale farmland capital construction projects to beef up the potential of agricultural production.

The financial and banking situation was good. By supporting production, strengthening tax management, and closely watching the results of spending, the finance and tax departments not only promoted further economic growth, but also ensured a steady increase in financial and tax revenues. The whole year's

finance revenues reached 6.86 billion yuan, up 11.8 percent from the previous year. After turning in part of this revenue to the general government, and meeting its own expenses, our province succeeded in balancing revenue and expenditure. The banking departments made great efforts to attract savings deposits, promptly extended loans, and alleviated fund shortages to support economic development.

The market enjoyed brisk buying and selling. Total commodity retail sales reached 23.31 billion yuan, up 17.9 percent from the previous year. Stocks of an overwhelming majority of commodities were plentiful. In the past, the masses reequently complained that, even when they had the money, there were few commodities to buy. But the situation has changed today. Some consumers with money can choose from a wide variety of commodities. They save money to buy expensive, brand-name, fine-quality, and new commodities. County fairs and small commodity markets are playing an important role in vitalizing both the urban and rural economy and promoting the circulation of commodities between our province and other localities.

New achievements were made in foreign trade and opening to the outside world. Thanks to the policy of encouraging export to earn foreign exchange, the various localities and enterprises were enthusiastic about earning foreign exchange from exports. Total procurement of commodities for export amounted to 3.82 billion yuan, up 54.6 percent from the previous year. Total foreign exchange earned from exports (including petroleum) topped U.S.\$1 billion to reach U.S.\$1.15 billion, an increase of 23.2 percent. Ningbo City made rapid headway in developing its economic and technological development zone. Wenzhou City was also rapidly opening to the outside world. Jianxing and Huzhou built nine satellite industrial towns to further expand their relations with the outside world. The province signed 57 agreements and contracts on the utilization of foreign capital. Some 30 new enterprises were built with investments by foreign businessmen, of which 86.7 percent were production oriented. The Overseas Chinese policy was further implemented. Total remittance from Overseas Chinese amounted to U.S.\$24.07 million, up 69.27 percent from the previous year. Many Overseas Chinese, their offspirng, and compatriots from Hong Kong and Macao donated money to build schools and hospitals, or for other public causes, reflecting their patriotism and love for their homeland. Following the further increase in economic, technological, and cultural contacts with the outside world. Zhejiang has continually expanded its influence in Hong Kong, Macao, and foreign countries; and its friendly relations with foreign countries have further developed. Some 294,000 foreigners, Overseas Chinese, and Hong Kong and Macao compatriots from over 120 countries and regions visited Zhejiang last year. Total revenue from tourism amounted to 142 million yuan, up 94.8 percent from the previous year.

New progress was made in economic structural reform under the guidance of the policy of "consolidation, assimilation, supplementation, and improvement." The expansion of macrocontrol in 1985 played a decisive role in stabilizing the national economy. However, in the exercising of marcocontrol, the problem of demanding uniformity in everything still persisted. This aggravated the situation in the shortage of circulating funds. Moreover, improper changes in the wage system once again aggravated the problem of "sharing food from the same

big pot." This adversely affected the enthusiasm of the staff members and workers. As a result, both the speed and economic results of industrial development at the beginning of last year feel behind expectations. Faced with this situation, while continually strengthening and improving macrocontrol, we also did a good job in exercising microcontrol. On the one hand, we exercised control over the investment scale of capital construction and the use of foreign exchange; while on the other, we gave financial and credit support to the production of commodities selling well, or which could be exported to earn foreign exchange, as well as to projects with good economic results or involving technological innovations. To arouse the enthusiasm of staff members and workers in enterprises, we summed up, and spread, the experiences of Lanxi and Hangzhou in persistently improving the economic responsibility system, and linked the income of staff members and workers to the enterprises' economic results by contracting or leasing our enterprises management rights. We actively pursued the plant director responsibility system to improve the enterprises' leadership system. Thanks to the implementation of these systems, our province's industrial output began to rise rapidly from the second quarter of last year; and the province's economic results also improved.

Relatively good progress was made in lateral economic cooperation. The number of integrated trans-departmental, trans-regional, and trans-ownership economic associations and enterprise groups increased to nearly 4,000 from the previous year's little more than 2,300. If the integrated economic associations jointly formed by village and town enterprises were included, the figure would be even larger. For the purpose of producing more famous-brand products, developing new products, and opening up more domestic and foreign markets, these integrated economic associations have made better use of capital, technology, raw and processed materials, and other key production factors on an even larger scale. After the State Council promulgated the "Regulation on Several Questions on Further Promoting Lateral Economic Ties," the provincial government formulated a supplementary regulation to support economic associations with planning, material supply, financial aid, tax breaks, and bank loans. The development of lateral economic ties has forcefully bettered the old system, which set up barriers between high and low levels, and has resulted in marked economic results and social benefits [she hui xiao yi 4357 2585 2400 4135].

Complying with State Council planning, we also did a lot of work, gained experience, and achieved certain results in reforming the financial, labor, and price systems.

New achievements were made in education, science, technology, public health, and physical culture. Governments at all levels attached great importance to, and increased investment in, education. The principle that different levels of government be responsible for different levels of education has been further implemented. Some 90 percent of counties, cities, and districts in our province have popularized primary education; and some 250 villages and townships have implemented 9-year compulsory education for the first time. Secondary vocational and technical education has gained relatively rapid development during the period of readjustment. Higher education and professional training have become more and more suited to society's needs. Scientific and technological work has been geared to the needs of economic construction, and is undergoing

structural reform. A large number of scientific and technological personnel have given free rein to their wisdom and talent, tackled key problems, spread scientific and technological research achievements, and made contributions in economic construction. The whole province made 1,010 scientific and technological achievements last year, of which 170 reached the level of advanced nations, and 15 reached advanced international level. The first battle was won in the "Spark Plan." Of the 157 items planned by the province, about 70 percent achieved partial results. Those items which have been applied to production, have resulted in a new economic benefit amounting to 140 million yuan. A great deal has been accomplished by the medical and health departments in preventing and treating diseases and protecting the people's health. Special funds were appropriated by the financial departments at various levels for the purpose of upgrading basic public facilities. The provincial people's hospital, the provincial women's health institute, the provincial children's health institute, and other major projects are under construction. More than 200 integrated medical establishments were set up in the province as a whole. The number of hospital beds increased by 2,300, and more than 16,000 household sick beds were opened in the year. Gratifying progress has been also made in the development of Chinese medicine. Very great achievements have been made in family planning work. At a time when the birthrate was peaking, the population growth rate was still kept below the target spelled out in the state plan, at 8.56 per thousand. While popularizing sports, improvements were also made in performances. The sportsmen and women from our province brought back a total of 61 gold, 49 silver, and 57 bronze medals for major national and international sports competitions. Progress has been also made in such undertakings as press and publishing, broadcasting and television, literature and art, and work related to cultural relics and libraries. Spare-time cultural activities by the masses were further developed. In addition, there were widespread activities to promote the "four have's" and "five love's," give-good families and joint army-people and police-people spiritual civilization centers. All these activities gave great impetus to the development of spiritual civilization.

The building of socialist democracy and the legal system was stepped up. There has been increasing respect for the democratic rights of the people's deputies and the people themselves to elect and supervise government functionaries. In the course of formulating the strategy for economic and social development, the Seventh 5-Year Plan, or making decisions on key construction projects, the provincial government has always been attentive to the opinions of the democratic parties, as well as specialists and scholars. The work of receiving and handling appeals and visits by the people was stepped up everywhere. As the reform of economic structure developed in depth, governments at various levels began to pay attention to running the economy using the legal system. Last year, 2 local laws were examined and promulgated by the Standing Committee of the provincial People's Congress, and 26 administrative regulations and rules were formulated by the provincial government. The dissemination of knowledge about law among government personnel and the people made it possible for more than 6.78 million people to study the contents of the laws, as required by the state. Moreover, a general inspection was conducted to see how judicial organs were enforcing the law. The people's awareness of the legal system was enhanced. Our continued efforts to crack down on serious criminal and economic offenses helped preserve public security through coordinated measures, and public order remained basically stable.

The people's armed forces work continued to make headway in the course of reform. Eighty-nine county, city, and district people's armed forces departments were successfully transferred to the local government jurisdiction. The number of primary militiamen in the province was reduced, but their quality showed improvement and their training developed gradually to being conducted "at training bases, in specialized courses, and according to the norm." Readjustments were made in arrangement and deployment for joint army, police, and people defense. We were able to successfully meet the conscription target, and the quality of airmen we recruited was the best in the country for the 4th consecutive year. Fresh progress was made both in the training and use of dual-purpose personnel among retired soldiers, and in the work of supporting the army and giving preferential treatment to the dependents of martyrs and army men.

The people's living standard continued to improve. Market prices, a matter of common concern everywhere, rose relatively fast for a period, due to price restructuring and high demand for consumer goods. However, price increases lost momentum later as a result of joint efforts by all departments concerned to curb them. It remains an arduous task to keep prices basically stable. The average living expenses of people in urban and rural areas increased at a rate larger than price increases and the actual living standards of the majority of the people still showed improvement. According to a sample survey carried out by the statistic departments, the per capita net income of the peasants last year was 609.31 yuan, up 11.1 percent from the previous year. Discounting the price increase factor, it represented a real growth of 6.4 percent. The per capita income for living expenses among urban residents was 1,012 yuan, up 20.6 percent from the previous year. Discounting the price increase price, it represented a real growth of over 10 percent. The year-end balance of savings deposits for all urban and rural residents in the province reached 9.792 billion yuan, up 44.6 percent from the previous year. This showed that people's incomes had increased and were undisturbed. Housing conditions for the urban and rural residents were further improved. Besides, a great deal was done in relief and social welfare work for the handicapped, and for childless and widowed elders.

Fellow deputies, our achievements in reform, economic construction, and social development were made under the leadership of the party Central Committee, the State Council and the Zhejiang Provincial CPC Committee, and with the concerted and hard efforts to all people in the province. The various democratic parties, nonparty personages, and mass organizations actively cooperated and worked in harmony with the government, and made new contributions to building material and spiritual civilization in the province. The cadres and fighters of the PLA and armed police units in Zhejiang enjoyed the love and esteem of the people as they supported and defended socialist construction. I would like to extend sincere gratitude to them on behalf of the provincial people's government.

While we are sure that the current situation is very good, we realize that some factors are:

First, investment in nonbudgeted capital construction projects has been excessive, and the percentage of investment in nonproductive projects has been too high. Investment in nonbudgeted capital construction projects in the province totaled 1.056 billion yuan in 1986, accounting for 33.5 percent of total capital

construction investment. The percentage of nonproductive capital construction also amounted to 45.8. This is beyond our financial and material supply capability.

Second, financial expenditure and consumer funds have increased excessively. Financial expenditure increased by 26 percent in 1986, much higher than the increase in revenue. Many organs and enterprises have engaged in the unhealthy practice of lavish spending. The total amount of staff and workers' wages and the average was increased respectively by 21.7 and 16.5 percent over the previous year, higher than the growth of per capita income and productivity. Some units have wantonly given bonuses and material incentives, and made inappropriate comparisons with other units. This, coupled with a continual growth in consumer funds, has caused tremendous difficulties in stabilizing prices.

Third, agricultural development has slowed down. Instability in the production of grain, cotton, hemp, flax, edible oil, and other major cash crops has become a serious problem affecting the steady economic and social development in the province. This is a result of price difficulties and problems arising from natural disasters. As far as government work is concerned, the major problems are: the once overoptimistic assessment of grain production; the inadequate attention to agricultural development especially grain production; lack of rational planning for the readjustment of rural production industries, resulting in a marked decrease in grain growing acreage; lax governmental management of farmland; and the failure to strictly stop people from illegally occupying and abusing farmland. In addition, water conservancy work in many localities has not been properly maintained, soil fertility has declined, seeds have deteriorated, farm machinery outmoded, and agrotechnicians have not been a steady force in agricultural development. This situation was brought to the authorities' attention last year, but changes have not been fast enough.

Fourth, economic results in the production and circulation fields have been poor. Material consumption and loss in many industrial enterprises have been on the increase, and their capital, earnings, and tax delivered to the state on the decrease. Moreover, commodity circulation costs have increased, and some commodities have piled up due to slow sales. On the ideological and political side, we have taken heed of the "left" disturbance, which is apt to hamper reform and development of the socialist commodity economy. This is necessary. However, many people still do not have adequate understanding of the tendency of bourgeois liberalization and have not struggled against this tendency in a clear-cut manner. Besides, attention given to promoting education in upholding the four cardinal principles has been inadequate. The entire ideological and political work is still a weak link. Regarding workstyle, government organs have been slow in separating government and enterprise functions and have been poor in work efficiency. Bureaucratism and unhealthy tendencies are still quite serious. We must continue our efforts to correct these.

In reviewing our work in the past year and with the experience and lessons we have learned in the last few years in mind, we feel that steady economic development and political stability and unity should be the basic factor in handling all issues. They are the basic principle to be upheld at any time and under any circumstances. Despite relatively rapid economic development in the province

in recent years, the fact that Zhejiang is a densely-populated province, with limited land and a poor economic foundation, that it is badly short of energy resources and raw materials, and that the transportation situation in the province has been strained, has not radically changed. If we do not cool down and continue to unrealistically and blindly increase nonbudgeted fixed asset investments, and heedlessly increase financial expenditure and consumer funds, our steady development is bound to meet with great difficulties. Therefore, curbing the overexpansion of nonbudgeted investments is a pressing task. An early action will enable us to gain the initiative at an earlier date, and failure to do so will land us in a passive position. If no one is willing to sacrifice some departmental interests, our long-term economic development will be hampered. Likewise, if we do not have an environment of political stability and unity, we shall have no way of carrying out reforms and the policy of opening to the outside world and invigorating the domestic economy, and shall be unable to improve the people's livelihood. The fifth session of the Sixth NPC and the National Governor's Conference called for a concentration of effort on two major tasks: The first is an economic one. We should adhere to correct development policies, vigorously launch a campaign to increase production and practice economy, and to increase revenue and reduce expenditure, thoroughly carry out reforms, press on with the policy of opening to the outside world, and strive to ensure continual and steady economic development. The second task is a political and ideological one. We should make an all-out effort to publicize the four cardinal principles and promote education in upholding these principles. We must resolutely oppose bourgeois liberalization, step up our efforts to build a socialist spiritual civilization, and strive to further consolidate and develop the situation of political stability and unity. We should further unify our thinking, and fully carry out our tasks. We may encounter various problems and difficulties on our way forward, but, only if we can achieve an ideological unity, unite together, and make common and constant efforts to do our job in a down-to-earth manner, shall we be able to overcome all difficulties, continue our steady economic development and consolidate and develop the situation of political stability and unity.

2. Launch a Broad, Thorough, and Protracted Campaign to Increase Production, Practice Economy, Increase Revenue, and Reduce Expenditure

Early this year, the State Council called a national conference of governors, at which it was proposed that the central task in economic work be to launch a campaign to increase production, practice economy, increase revenue, and reduce expenditure. Following the conference, the provincial government immediately held discussions and made arrangements in this regard. Various localities and departments, as well as a large number of enterprises mobilized people to bring problems into the open, do careful calculations, tap potential, and work out plans and measures for the "double increase and double economy" campaign. City, prefectural, and provincial organs dispatched large numbers of cadres to carry out investigations and study at the basic level, to offer advice to enterprises, and to attempt to find a way to solve problems for them. Although we started this work not long ago, and its development is uneven, initial results have been achieved after more than 4 months' effort; the trend of development is good. Take state enterprises under budget for example. In the first quarter of this year, this output value increased 14.5 percent over the same period

last year, their sales earnings went up by 25.9 percent, and their profits rose by 14.4 percent. All these basically increased simultaneously. The output of marketable, manufactured goods for daily use, energy, and raw and semifinished materials increased considerably, and the consumption of materials was reduced to some extent. Some units have done a good job in carrying out the "double increase and double economy" campaign, and have gained experience in this respect. In Xiaoshan County, every trade, enterprise, project, and product was analyzed, additional guidance was given, and measures were carried out. In Lanxi City, the "double increase and double economy" campaign was carried out in connection with the conduct of education in waging arduous struggle and building up the country through thrift and hard work, as well as with the deepening of enterprise reform, the promotion of technical progress, and the improvement in workstyle and service, achieving remarkable results.

The "double increase and double economy" has a broad and deep mass base. Many cadres and people say: In recent years, we have rarely mentioned the fine tradition of building our country and accomplishing all tasks by means of self-reliance, thrift, and hard work. Now, the party Central Committee and the State Council have advocated the "double increase and double economy" campaign, which accords with conditions in our country and the common desire of the people. This is, at once, an economic and a political task, and it is an urgent, as well as a long-term strategic, one. It is now essential to: First, further raise our political consciousness and achieve unity in thinking; and second, to vigorously carry out the campaign and strive for practical results. As long as we do so, we can fully mobilize the broad masses and turn the "double increase and double economy" campaign into a tremendous driving force in promoting the development of production and improving the standards of social conduct.

As far as the situation in various fields is concerned, there are bright prospects for increasing production, practicing economy, increasing revenue, and reducing expenditure. Our province's many economic indices in industry, communications, postal and telecommunications service, commerce, and the building industry are lower than their record highs, and there are gaps between regions and between trades. The irrational product mix has yet to be completely changed, and the output of unmarketable, poor-quality, yet high-priced, products is even on the increase. This is a big waste of manpower and materials. The demand for either construction or the improvement of living standards is inordinate and overanxious. Failing to take the condition and capability of the state into consideration and to do things in order of importance and urgency, some localities and units have started many large-scale construction projects simultaneously, and are even building ultra-modern office buildings, auditoriums, and hotels not urgently needed. There are more and more administrative organs and personnel. There are too many meetings to attend, and they are held in an increasingly extravagant way. For a while, high consumption had been improperly advocated. As a result, people have indulged in ostentation and extravagance, vied with each other in luxury, and given increasingly lavish dinners and gifts; more and more people have traveled and done sightseeing at government expense. If such extravagant and wasteful practices are not changed, our government does not deserve to be called a honest one, so the people. If we can narrow the gaps, stop up loopholes, and tap potential in various fields while carrying out the "double increase and double economy" campaign, we can certainly greatly

raise our economic level and bring about a big turn for the better in office workstyle and the standards of social conduct.

The stress of the "double increase and double economy" campaign is to be placed on the improvement in economic results. In the light of the province's conditions, the provincial government has set requirements in six aspects: To make vigorous efforts to increase the production of marketable goods; to ensure an increase in grain production of marketable goods; to ensure an increase in grain production and stabilize pig raising; to resolutely implement the "three guarantees and three restrictions" and readjust the scale of investment in fixed assets; to ensure revenue; to practice strict economy and reduce expenditure; and to vigorously raise funds, make them available to enterprises, and tap enterprises' potential.

Industrial enterprises' main task is to make every effort to produce more popular industrial goods, goods needed in agricultural production, and goods for export. To achieve this, they should restructure their production and product mix, make constant efforts to develop new products, improve product quality, and reduce consumption of material resources. All industrial enterprises must attach great importance to science and technology, improve their management, encourage workers to carry out technical innovations, popularize new technology and new techniques, and increase productivity. Technical innovation projects, aimed at producing inexpensive, quality goods in short supply, and projects which can produce quick profits must be carried out as quickly as possible so that they can yield results as early as possible. All enterprises must thoroughly check their holdings in order to speed up capital turnover. Attention must be paid to production safety and civil production, and all work must be done according to rules of operation to prevent and reduce injuries, equipment malfunctions, traffic accidents, and fires. To support enterprises in boosting production of popular goods, departments in charge of planning, supplies, power, communications, commercial work, and banking affairs must coordinate their work to achieve an overall balance and improve services.

The key to achieving good results in increasing production, practising economy, increasing revenue, and reducing expenditure is to cut expenditure, readjust investment in fixed assets, and make every effort to eliminate nonbudgetary, non-productive, and nonessential projects. In recent years, we have consistently stressed the need to reduce the number of capital construction projects, but have not been able to achieve this. Duplicated construction and imports remain unchanged. While this has something to do with defective investment and financial systems, the main problem lies in failure to take the overall situation into account. Many localities and departments emphasize their special situation, or fear that honesty does not pay. Thus, they think everybody else--except themselves--should cut down on nonessential projects. Seen as a whole, thoughtlessness in starting new projects will certainly undermine overall balance. If everybody had taken the interests of the whole into account, our economic situation would have been even better. We must consciously and earnestly adhere to the principle governing the "three guarantees and three restrictions"--guaranteeing construction of projects included in the plans of productive and key projects, while restricting those outside the plan, or those which are nonproductive or nonkey. In 1986, Zhejiang reduced local construction projects by

10 percent, and conserved an investment of 220 million yuan--primarily those types of investment whose funds were raised locally and whose amounts were not subject to examination. In addition to the five buildings provincial departments and other units planned to build with self-raised money--whose construction was either stopped or postponed--a number of office buildings and other non-productive construction projects were also scrapped in various localities. To tighten capital management, standards will from now, be imposed on all investments whose amounts were not subject to examination in the past, and the sources of capital will also be strictly examined. Like capital construction projects, all major technical innovation projects will also be appraised individually. Under the premise of ensuring quality, all construction projects must firmly downgrade their excessively high standards, safety coefficients, and consumption of materials.

Strictly practicing economy and tightening expenditure are important aspects in the movement to increase production, practice economy, increase revenue, and reduce expenditure; they are also important requirements in changing the work-style of government organs and society. This year, Zhejiang's local expenditures in various fields--except for those needed in subsidizing commodity prices, relief services, and payments of debts and special state allocations--will be 10 percent lower than those of 1986. From now on, there will be no more expansion of administrative staff, nor will there be additional establishment or upgrading of administrative organs. We must instead make great efforts to cut down the number of meetings, curtail conference budgets, and strictly examine the need to hold meetings. Meetings to commemorate special occasions, celebrate achievements, commend exemplary workers, and mark inauguration of work, as well as ribbon-cutting ceremonies to mark completion of projects, will be strictly controlled, and spending public funds on entertaining guests, gifts, or lavish food and drink is strictly prohibited. Recently, the provincial government and relevant departments started investigating certain official organs renting guest-houses to conduct official work on a long-term basis; they have also investigated, and closed down, certain newspapers and journals. Such work must continue. Recently the General Office of the State Council transmitted the nine requirements set out by the Ministry of Finance to control administrative budgets. We must earnestly study and implement them, intensify auditing supervision, and strictly enforce financial and economic discipline. After their administrative and operating budgets have been reduced, government organs, and research, educational, cultural, public health, and sports units must combat any wasteful and extravagant practices. They must do more work with less money, so that their limited budgets can yield the best economic results and social benefits [she hui xiao yi 4357 2585 2400 4135].

In view of the practice in various localities mentioned in the previous paragraph, to soundly carry on the campaign for increasing production and practicing economy, and for increasing revenue and reducing expenditure, it is important to strengthen leadership and do concrete work, instead of being complacent in making slogans or paying lip service. It is also necessary to handle the following relationships well: First, that between the campaign and deepening reforms. The campaign and reform of the economic structure are both aimed at mobilizing the initiative of operators and workers to increase production and practice economy, and at tapping the great potential hidden in enterprises.

Therefore, in carrying out the campaign, it is necessary to deepen reforms, especially to continuously explore and gradually refine various forms and styles of management and economic responsibility systems. Only then can the economy flourish at the sustained, steady, and coordinated pace, and an adequate economic environment be created for reform of the economic structure to ensure it proceeds smoothly and soundly. We want to curb overexpansion, not constrain the atmosphere for reform. Whatever reformative measures prove effective should be continued. Currently, we should focus on promoting the management responsibility system to deepen and further the reform of enterprises.

Second, the relationship between the campaign and improving the people's living standard. In the campaign, for the long-term benefit of the people, we are promoting thrift, plain living, and hard work, correcting unjustified handouts of prizes and material, and seeking to arrest the continuing growth of consumer funds. However, the campaign is not meant merely to ask people to economize on food and clothing, and not try to solve problems.

Third, the relationship between the economic benefits of individual entities and social benefits [she hui xiao yi 4357 2585 2400 4135]. In the campaign, enterprises should work for their own economic benefit. However, to obtain economic benefit, enterprises should rely on their own efforts by tapping inner potential, increasing production, and creating value, instead of raising prices and harming the interests of the state and consumers. Nor should they arbitrarily reduce production of agricultural and products, daily necessities, and small commodities which, although generating little profit, are urgently in demand.

3. Ensure Steady Grain Production and Rural Economic Growth

Steady grain production and rural economic growth is important to overall economic and social development. Governments at various levels must pay great attention to agriculture, putting it in its proper strategic perspective. They should designate top government leaders to take charge of agriculture with the assistance of experts. They should establish, and refine, the infrastructure of command, science, technology, and service for agricultural production, to strengthen control over agriculture. They should seek to promote agricultural development and stabilize production of grain, cotton, edible oil, and pigs through deepening reform and increasing investment.

Grain is one of the major agricultural problems. It is necessary for Zhejiang to be self-sufficient in grain. This year, the target is to produce 1.61-1.65 million metric tons of grain, which is very high indeed. While the commodity economy is flourishing and the economic benefits in grain production are relatively low, governments at various levels are facing new challenges, such as how to raise peasants' initiative to increase production of commodity grain, and how to ensure steady grain production. We must, first of all, seek to stabilize the grain growing area, raise the multiple crop index of grain lands, ban the laying waste of farmland, and restore the grain growing area to that of 1985. We should readjust the cultivation ratio between various crops and forbid conversion of farmland to fish breeding, pearl cultivation, brick and tile baking, or growing of citrus fruits, or other perennial cash crops. Farmland already converted to other uses should be inventoried and returned to its original use.

There is a lot of dry land in the province, of which little use has been made, and it can be used to increase production of dry grain. It is necessary to expand the growing area for, and raise the unit output of, dry grain.

Second, we should seek to increase agricultural investment and improve conditions for agricultural production. This year, the province has decided to increase investment in agricultural capital construction by 15 million yuan, and appropriation for irrigation and water conservancy by 6 million yuan. Besides this, the provincial finance department has earmarked a special sum of 16.2 million yuan for grain production, plus appropriation from the Central Government and funds matched by cities and counties, totaling 45 million yuan, which will be used to help key commodity grain centers promote grain production.

Third, we should continue the policy of subsidizing and supporting agriculture with industry, and implement the labor accumulation system, to gradually set up funds for rural agricultural development. The sources for the fund come mainly from incomes derived from increased taxable wages from rural enterprises, compensatory funds for agriculture from nonagricultural operations, contractual funds from farm households, and land-leveling fees from rural enterprises and individuals.

Fourth, in order to raise unit output of grain, we must promote advanced agrotechnological measures, centering on the use of fine strains, set up 1 million mu of high-yield demonstration farms in 29 countries (cities), and continue to improve low-yield farmland.

Fifth, we must improve the grain procurement system. Last year, the province started to offer preferential subsidies for late rice included in grain procurement contracts. This year, in accordance with state regulations, the province has adequately raised rice procurement prices. These two policies can generate 67 million yuan in extra income for peasants in the province. In addition, the province will offer deposits equal to the value of 20 percent of grain contracted, and increase supply of chemical fertilizer and diesel oil at fixed prices. Agricultural aid funds and material must be used for specific purposes, and should not be withheld or used for other purposes. In short, we must do our best to encourage peasants to grow and sell grain. While trying to increase grain production, the provincial government should also take steps to control the sale of grain, especially to restrict the use of grain for trade and industry, and ask all localities and units to keep a tight control over the conversion of farmland to nonagricultural use, and to ban waste of grain.

We should boost agricultural production in depth and breadth. In recent years, all localities, taking advantage of local resources, have paid close attention to exploratory agricultural production. In the past, our agricultural restructuring was little more than redemarcating cultivated land. Now, we have come to know the need to use all arable land to expand the realm of production. Zhejiang has many low and uncultivated hills and unused water surfaces, beaches, tidal land, and islets, which provide great potential for developing agriculture. We have learned from ample facts that, if they can make use of these unused areas, many villages can change their economic outlook and achieve prosperity. Under the premier of conserving water and soil and rationally utilizing resources, all

localities should choose several farming, aquacultural, processing or mining projects meeting the market needs and the actual local situation, develop them according to plan, and then expand them into fair-size production projects by supporting them with research, production, processing, storage, and marketing services. To stabilize their development, central production bases should be set up to produce such major products as pork, fowl, eggs, fish, vegetables, cotton, hemp, tea, and silkworms, whose output should be integrated with exploratory agricultural production. Relevant provincial departments should work actively with various localities to set up all types of commodity base and, by means of sharing investment and providing technical expertise, materials, export goods, and nonstaple food for cities. We should pay close attention to developing forestry, and continue to combine all types of short-term, and three-dimensional [li ti 4539 7555] development projects. In order to have more tree-covered areas, we should stabilize and improve the system of responsibility in forestry production, do a good job in afforestation, strictly prohibit destructive logging, and intensify the prevention of forest fire. In fishery, we should protect offshore resources, strictly control offshore fishing, and actively develop ocean-going catches and saltwater breeding. Zhejiang has numerous offshore islands, and the provincial government has already organized investigation of their rich resources and is drawing up plans to develop them.

We should improve the two-tier management system, and stabilize the contracted responsibility system based on the households, linking remuneration with output. The system of combining centralized and decentralized management is a system the peasants support. This system has the flexibility of decentralized, and the advantage of centralized, management--both of which are objective, indispensable requirements for developing the rural economy. The management of contracts should be improved. A contract should clearly state the rights and obligations of the parties concerned, and the contractor must honor what is prescribed in the contract. Cooperatives in the rural areas must earnestly improve their services. Currently, village cooperatives are economically weak. In some localities, the collectives are unable to undertake what is their responsibility, and they do not have the money to pay their staff workers. Such being the case, village cooperatives should actively create the conditions necessary for organizing development of resources and undertaking collective enterprises, and gradually take over the responsibilities of providing production services, coordinating management, and accumulating capital and assets.

Rural enterprises should improve themselves through consolidation. While the development of these enterprises in Zhejiang is still quite fast, their quality is on the whole poor and they lack the capacity for sustained development. In the face of increasingly fierce competition in the market, they will lose their edge if they fail to change the current situation promptly and effectively. They should, under the promise of improving economic performance, maintain an appropriate development speed. From now on, they should focus their attention on achieving better economic returns, improving product quality, and expanding production, through the adoption of more advanced technology and improvement in management. The mainstay enterprises, and counties and cities where there are many enterprises operated by townships or towns, should, in particular, gradually replace their outmoded equipment, technology, and products with new. During each of the past several years, the provincial government has drawn up

policies or measures to support such enterprises with the aim of enabling them to improve themselves. All localities must earnestly implement these policies and measures, and reinvest the material benefits in improving these enterprises' technology, so that they can increase the output of popular goods and goods for export. With the exception of mountainous areas and major grain producing zones, where there are few rural enterprises, no new rural enterprises should be set up and no new projects started from now on. Those enterprises that have already been set up should improve their contracted systems of responsibilities and management, properly handle the relationship between accumulation and consumption, and between contractors and workers. Rural enterprises should give scope to their advantage—namely flexible operation and abundant manpower—and strengthen their association and cooperation with industrial enterprises, research units, or colleges in cities and strive to develop themselves through the association.

We must continue to help the poverty-stricken regions develop their economy and get rid of their backwardness. The impoverished regions are mainly located in the frontier mountain and ethnic areas or in the old revolutionary bases. The people there have made their contributions to the revolutionary cause and construction. But today, they are still living in poverty. Governments at all levels should have a keen sense of political responsibility in helping them get rid of poverty and become prosperous. In helping the poor, we shall continue to divide responsibility among the various levels of government; emphasize the exploitation of natural resources; arouse the masses' interest in engaging in economic activities by means of policy, loans, and technology; and integrate measures aimed at solving the current problem of clothing and feeding with long-range plans for economic development. The province is responsible for helping the five impoverished counties of Panan, Taishun, Yingjia, Wencheng, and Jingning. Under the "Seventh 5-Year Plan," a special loan of 15 million yuan and another 5 million yuan of interest-free funds will be allocated each year to help these counties develop local industries. Wencheng, Taishun, and Jingning Counties have been included in the state program for helping poor regions. The state has already allocated 14 million yuan this year as interest-free loans to help these counties. Provincial departments concerned should help them decide what to plant, breed, or process, and use their money where it is most needed. Since last year, the province had allocated a certain amount of funds and loans to help the mountain areas build roads, start a mining industry, and engage in forestation, as well as help Lishui and Quzhou Counties develop their village and town enterprises. These funds and loans must be used well so that their benefits can be seen as soon as possible. The counties are responsible for helping their own impoverished villages. We shall continue to encourage the economically developed counties and villages to help economically backward counties and villages. Since the impoverished areas lack professional people and information, and are backward in science and technology, it is necessary to stress science and technology in helping the poor. Departments concerned and scientific research units should divide their work in this regard and be responsible for this task.

We must earnestly implement the national policies on family planning and farmland protection. Beginning in 1986, our province has been experiencing another

crest in child-bearing. The task of controlling population growth has become arduous. Although family planning should be stressed both in the urban and rural areas, the emphasis is still on the countryside. In implementing the family planning policy, we must educate the masses in planned parenthood, encourage mature marriages, and strictly control the population growth rate to within 9.9 per 1,000. In the recent several years, our province's farmland has dwindled annually. Farmland equal to the area of a medium-sized county is lost each year, while the population continues to grow with time. Each year, a population equal to that of a medium-sized county is being added to the province's total population. If this situation is left uncorrected, we shall bring about a calamity to our offspring and cause ourselves to be condemned by history. Therefore, we must widely propagate the "Land Management Law of the PRC" and the "Regulation Governing Land Management of Zhejiang Province" to make the cadres and masses consciously obey the law and protect their farmland. The State Council has approved the establishment of a provincial land management bureau. The various localities must also set up special organs to be in charge of land management. From now on, control over population growth and over the use of farmland for nonfarming purposes will be major items in rating the performance of leading government cadres.

4. Continue to Deepen Economic Structural Reform

To develop the national economy and build socialism with special Chinese characteristics, we must unswervingly propel the reform forward. Our province's steady and sustained economic growth over the past several years is directly attributable to the reform. Reform is the force behind our economic development. With the deepening of the reform campaign and the inevitable appearance of new problems, reform will surely become more complex and meet with more difficulties. Thus, on the one hand, we must be bold and firm. Yet, on the other, we must be cautious and prudent. For each step taken, we must promptly sum up experience and anticipate problems possibly arising in our next step. Do thorough thinking, as well as meticulous planning. On the one hand, we must revitalize microeconomic activities; while on the other, we must strengthen and improve our macroeconomic management.

The major tasks for our province in economic structural reform this year are: vitalizing enterprises, reforming enterprises' management and leadership systems, continuing to develop lateral economic ties, accelerating reform of the banking system, and reforming the circulation, price, and labor systems.

Further vitalizing enterprises is the key link in the entire economic structural reform. Over the past few years, we have done a great deal of work in this regard, including simplification of administrative procedures, delegation of power to the enterprises, readjusting companies of an administrative nature, reducing taxes, letting enterprises keep part of the profit they have earned, and banning indiscriminate apportioning of expenses to lighten the enterprises' financial burden. All these measures are necessary, and we shall continue to do so, particularly in adopting strict measures to ban the indiscriminate apportioning of expenses and the payment of unwarranted fees by the enterprises. Improving the enterprises' external conditions is only one absolutely necessary aspect of the reform. Because of the current difficult financial situation, we cannot expect the state to make any more concessions regarding taxes and profit sharing. Thus,

the emphasis or reform must be shifted to improving the enterprises' internal conditions. That is to say, based on the principle of separating ownership from management, we must establish and perfect various forms of contract management responsibility system to integrate an enterprise's management responsibility with its rights and profits, and enable the enterprises to become economic units, truly responsible for their own profit and loss, work for their own development, and keep their activities within the bounds of law. Currently, our enterprises, particularly state-run large and medium-size enterprises, lack both vitality and a sense of responsibility. Their potential has never been fully exploited. Practice shows that the implementation of various forms of contract management responsibility system can not only arouse enthusiasm of the enterprises' staff and workers, but also enable the enterprises to fully tap their tremendous potential. Despite their present imperfections, the various forms of contract management responsibility system have to be implemented under the current circumstances. The form of contract may be flexible, depending on the different trades and professions, or the different nature of enterprises. Small enterprises may be leased out to the collectives or individuals under the conditions that their ownership and the status of their staff members and workers remain unchanged, and that the state get the lion's share of taxes. A lease's duration should be extended to 3-5 years. A contract should include terms on output value, profit, taxes, technological innovations, and appreciation of fixed assets. On the one hand, a contract should enable the lease holder and the workers to increase their income by increasing output or expanding business. On the other, it should also prevent the enterprise from issuing unwarranted bonuses or other material incentives, or squandering all its earnings. Because of our lack of experience, we are currently limiting the stock system to only newly-established joint, collective, village, and town enterprises on a trial basis. In improving the enterprises' internal operations, we must firmly reform their leadership system and widely implement the plant director (manager) responsibility system. Practice teaches us that an enterprise must have a legal person fully responsible for the entire enterprise, as well as a leader who can effectively direct the enterprise's production and management. The so-called collective responsibility system of the past often meant nobody being responsible for anything. Our course, the plant director (manager), party committee, and trade union must reasonably divide their work and cooperate with one another. To rate and supervise a plant director's (manager's) performance more effectively, we must widely implement the tenure target responsibility system and the auditing system at the end of his tenure.

During the elementary stage of a socialist society, it is necessary to pool the efforts of all the people, collectives, and individuals to develop a commodity economy. Individual economies are a necessary supplement to the socialist economy. They can better integrate capital, technology, and labor; expand the scope of employment; and increase social productivity. On the one hand, we must support and protect the individual economy; and on the other, we must strengthen measures to control and guide them.

Continuing to promote lateral economic ties is an effective means of breaking down barriers dividing departments and regions. The guiding ideology for lateral economic ties should be promoting the optimum combination of production factors and the rational composition of the enterprises' structure, as well as

upgrading the enterprises' technological level to strengthen their competitiveness in both the domestic and foreign markets. In accordance with this guiding principle, we must actively promote cooperation among the enterprises themselves, and between the enterprises and the scientific research units, and encourage, and support, enterprises with the right conditions to form transregional, trans-professional, and transownership economic associations or enterprise groups. Currently, the majority of enterprises in our province are small, with a low technological level. They lack the ability for self-improvement. To cope with this situation, we must encourage advance[ment] to help backward enterprises with their advanced technology, by means of lateral economic ties or contracts. The acute shortage of energy and raw and processed materials is still a most salient problem in our economic development. We must still promote cooperation in the supply of materials, stressing the principle of helping to supply each other's needs, not for making money, but for the purpose of jointly developing the economy. Sincerity and credit should be stressed in promoting economic ties and cooperation, with both sides sharing the benefits and risks. We must insist on the principle of free will and oppose governments acting as go-betweens, in order to prevent enterprise associations from turning into covert administrative companies or government-administered organizations.

Accelerating reform of the banking system is another important requirement in revitalizing the economy. Banking reform must stress both strictness and flexibility, so that it facilitates macrocontrol on the one hand and promotes circulation of capital on the other. One of the requirements of reform is running the capital market well. To alleviate the shortage of capital and enable the localities and enterprises with a capital deficiency to obtain capital from those with a capital surplus, the various localities have set up capital markets since last year. We expect these markets to expand this year. Currently, the capital market should mainly engage in short-term deals. At the same time, we shall run stock markets on a trial basis, and vigorously develop both urban and rural insurance businesses. Another job for reform is establishing various forms of enterprise banking facility. We shall set up city credit cooperatives on a trial basis, revitalize rural credit cooperatives, run credit and trust companies well, increase the number of banks and postal savings agencies on a trial basis. Specialized banks and insurance companies from the provincial level down should systematically streamline their operations so that they become capable of independent auditing and management; be responsible for their own profit, losses, and risks; be able to balance their own accounts; and implement the director (manager) responsibility system capable of achieving a balance between responsibility, rights, and profit. A third task is reforming the system of account settlement. This mainly deals with the opening of businesses for cashing commercial bills and discount loans, with a view to encouraging the use of credit bills in business transactions, and gradually rationalize the interest rates on loans and deposits. In short, the various measures taken to reform the banking system are aimed at guiding the flow of capital in the right direction, improving the results of capital employment, and ensuring that the various economic activities develop healthily on the correct course.

Continuing commercial structural reform and promoting circulation are key links in bringing prosperity to the urban and rural economy. In urban commodity distribution centers, we must make use of the available facilities to set up

specialized trading centers, each dealing in a certain kind of product. The present urban trading centers are nothing but wholesale agencies of state-run commerce and supply and marketing cooperatives, which are not conducive to promoting circulation, and should be replaced by permanent futures trading centers. In key cities, we must actively promote commodity trade fairs to gradually eliminate the present system of goods supply meetings. In small cities and towns, we must do a good job in arranging and setting up commercial outlays, particularly sites for county fairs and small commodity markets. We must encourage the state, collective, and individual businesses to set up "windows" across the entire nation by way of promoting lateral economic ties. At the same time, we must beef up the state-run industrial and commercial enterprises' buying and selling power and strengthen the organization and management of the civilian sector's buying and selling contingents, thereby systematically establishing a commercial network across the entire nation to promote sale of products from Zhejiang and bring home famous, quality, special, and new products; new technology; and needed information from other localities to guide and promote our province's commodity production. The socialist economy is a planned commodity economy, which, while bringing the role of the market into play, must also strengthen planned control over, and curb, price hikes and panic purchases of major farm and sideline products, key means of production items, and industrial products. We must gradually develop and improve the market for steel products, cement, coal, lumber, and other means of production items so that the enterprises can choose and buy what they want according to their needs, thereby reducing the accumulation of supplies. At the same time, we must strengthen control over these materials. State enterprises must stock a certain amount of these items so that they can play a regulating role in the market.

One important thing calling for meticulous organization by governments at all levels is to gradually carry out reform of the price structure, while striving to keep the overall price level basically stable. Generally speaking, we should establish a reasonable price structure in order to keep prices moderate. Otherwise, it would be impossible to attain a perfect socialist market system, to effectively promote the development of production and the circulation of commodities, or to correctly guide consumption. However, price reform is a very sensitive issue. We have to take into consideration the people's financial and psychological capabilities to bear it. We must act in line with the principle of "persisting in the reform, making steady advances, while maintaining basic stability," to exercise caution by making small, but steady, strides. We don't plan to make big strides in price reform this year, limiting ourselves to a very few items whose production has been seriously affected. We shall focus on unreasonable prices to make slight adjustments and resolutely let those prices stand which need not be raised, in order to keep the overall price increase within the same rate as last year, and make sure that the rate of increase in the people's income does not fall behind the rate of price increase. The price of the "grocery basket" is a common concern for the people. We must continue to practice the mayor, commissioner, or magistrate responsibility system to pay close attention to this matter. Last year, local governments at various levels appropriated more than 700 million yuan from their local coffers as price subsidies for grain, cotton, oil-bearing crops, and principal nonstaples. This should be done again this year. State-run commercial enterprises should actively organize the sources of commodities, improve commodity supply, and keep prices down.

We shall not only depend on the price departments to step up price control and strictly enforce price discipline. We shall also organize consumers' associations to rely on the masses to carry out price inspection and supervision. Efforts to control noncommodity fees should also be stepped up. Arbitrary and unreasonable price increases and fee charges must be resolutely corrected and sternly dealt with. Lawless activities to rig the market or disrupt market order must be severely punished in accordance with the law.

The restructuring of the labor system started at the beginning of last year has yielded fair results. Enterprises have a greater say in hiring workers, and the workers themselves are given some leeway in choosing jobs. This has brought initial change to the past phenomenon, in which a job assignment could remain unchanged for life, and employment meant access to an iron ricebowl, making it now easier for the enterprises to raise labor productivity and inspire the workers enthusiasm. Nevertheless, new contradictions have emerged. While enterprises are hiring large numbers of peasants as full-time or temporary workers, there are many people in the cities and towns who cannot find jobs, and the rate of unemployment among them has again risen. In many cities and towns, difficulty in getting jobs exists side by side with the difficulty of some trades in hiring workers. Employment in the urban areas is a matter of great importance to social stability. We must persist in reform of the labor system, but it is also necessary to make overall planning and take all factors into consideration. While we should be flexible regarding the movement of the labor force, it is also imperative to step up efforts to guide and control it. Although the enterprises should have the self-decision rights to hire workers, and must take their own economic results into consideration, they also have an employment obligation to society, and should strictly, but reasonably, limit the large influx of rural labor into the cities. Labor departments at all levels should use unemployed in the urban areas to answer the needs of the state and society, and take various approaches in solving the problem of employment, including encouraging the unemployed to seek employment themselves. In the course of restructuring the labor system, it is also necessary to actively establish an unemployment insurance system, and gradually adopt the method of setting up a unified pensions pool on a city or county basis.

5. Greatly Develop the Export-oriented Economy

Developing the export-oriented economy is an important way to increase foreign exchange earnings for our province and to lead the national economy to a new stage. Our province has achieved relatively good progress in recent years in developing foreign trade, introducing foreign technology and capital, and promoting tourism. However, compared with other advanced fraternal provinces and municipalities, we still lag far behind. For instance, the procurement of export commodities in Guangdong Province in 1986 reached a ratio of 16 percent of the total output value of industrial and agricultural products, whereas our province was a mere 4.8 percent. Specially favorable conditions have, of course, contributed to Guangdong's increased foreign trade and foreign exchange earnings. The main reason, however, lies in their clearer understanding of the guiding principle of developing an export economy. They have their minds set on exports when using foreign capital and technology, and upgrading products. We must never be complacent with the status quo. Instead, we should work hard and

strive to overtake them. We may say that we have many favorable conditions to develop an export economy. Geographically speaking, Zhejiang is situated on China's southeast coast, with good deep water ports. Zhejiang also has a good foundation in industrial and agricultural production. There are open cities and areas. In addition, the many Hong Kong and Macao compatriots and overseas Chinese of Zhejiang origin, with their powerful financial means, are willing to contribute to hometown construction. Therefore, at the same time, we admit our backwardness we should be filled with confidence on questions relating to developing the export economy. People in the province should unify thinking and treat the development of the export economy as a strategic task.

The guiding principle for developing our province's export economy is: Export marketable goods to international markets as an orientation, import foreign technology as a means; and earn foreign exchange as a goal; promote exports to finance imports; import technology and capital to promote exports; effect joint cooperation among trading, industrial, and agricultural professions, as well as between trade and technology, to gradually set up an export structure, geared to the international market. To that end, we should produce a big change in production structure, technological level, operation management, and personnel quality.

The basic scheme to develop an export economy, as far as the province is concerned, can be separated into three components. The first is such open port cities as Ningbo and Wenzhou in coastal areas; the second covers Hangzhou, Jiaxing, and Huzhou open areas; the third includes the vast area of southwest Zhejiang. These areas, with their specific strong points and characteristics, should promote one another, learn from another to make up their own deficiency and, bringing their advantages into play, gradually form an open economic structure. At the same time, we should take the way of making Hong Kong and Macao "windows," Shenzhen and Zhuhai "brigades," and using Zhejiang as the base for spreading business points. Our work, primarily, should be directed within the province. Emphasis must be given to improving the investment environment and strengthen construction of export production structure in such open cities as Ningbo and Wenzhou. Limited financial and material resources should be devoted to necessary infrastructural projects, or put into enterprises capable of generating foreign exchange quickly, instead of being squandered in such non-productive construction as building luxury hotels, restaurants, or recreation grounds. The State Council, in an effort to accelerate Ningbo's pace of opening to the outside world, and fully bringing into play the role of an open port, recently approved and granted Ningbo City the power of independent economic decisionmaking, giving it provincial-level economic management power. As the process of fostering investment climate for foreign businesses, and the creation of the export structure takes time here, we may enter joint business cooperation with enterprises in Shenzhen and Zhuhai. These zones, being near Hong Kong and Macao, offer good market information, a good investment climate, and more favorable foreign exchange policy. Such cooperation will not only bring quick foreign exchange and yield higher economic effects for our province, but will also play the role of promoting out province's economy as a whole. Therefore, we should go about this work in earnest.

To accelerate development of our province's export-oriented economy, relevant government departments at various levels should pay particular attention to the following aspects:

First, exports should be produced according to international market demand. We should strive to earn U.S.\$1.35 billion of foreign exchange through exports this year (including the exportation of petroleum). Production and management units should make concerted efforts to carry out this task, relevant departments should continue implementing various policies designed to encourage exports, and to export more light industrial products, textiles, sil, cloth, electrical machinery, and farm and sideline products with Zhejiang characteristics. Particular attention should be paid to increasing the depth and precision of processing, improving the quality of products, raising their grades, and improving their packaging, in order to increase their value and competitiveness. On the principle of "giving prominence to important products and taking general ones into consideration," priority should be given to major exports and major foreign exchange-earning regions and enterprises; plans should be made, and carried out, in this regard.

Second, efforts should be made to effectively run Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and wholly foreign-owned enterprises, and to do a good job in processing materials supplied, processing materials according to samples provided, assembling parts provided, and doing compensatory trade. It is necessary to conscientiously implement the State Council regulations designed to encourage foreign investment in the country. In the light of our province's actual conditions, detailed rules should be formulated for implementation of these regulations. Efforts should be made to further improve methods of supervision over Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and wholly foreign-owned enterprises, and to make sure that they can exercise their decisionmaking powers. In processing materials supplied, processing materials according to samples provided, assembling parts provided, and doing compensatory trade, only a small amount of investment is needed, and there are no serious risks involved. In addition, such processing and compensatory trade is easy to do, and benefits are substantial; moreover, by so doing, we can acquaint ourselves with the international market, learn advanced production techniques from abroad, and improve the quality of our enterprises. This should be the focal point of future work in developing our export-oriented economy. It is essential to create a favorable climate for processing materials supplied, processing materials according to samples provided, assembling provided, and doing compensatory trade; to simplify the procedures for examination and approval, to relax policy restrictions; to make things convenient for people and to enable them to make a profit.

Third, vigorous efforts should be made to train qualified personnel in the development of an export-oriented economy. To do so, it is essential to have a number of qualified personnel who know how to operate and manage, and can adapt themselves to the changing international market. All areas, departments, and enterprises should try to discover qualified personnel capable of handling foreign economic relations and trade, and enable them to bring their specialties into full play. At the same time, it is necessary to vigorously create conditions and gradually build a system to train economic and trade cadres in various ways, at various levels, and through channels. In this regard, it is necessary to make full use of Hong Kong, Macao and the special economic zones, to select a number of cadres who, with good political quality, know foreign language and have professional ability and knowledge of law, and to have them temper themselves in the forefront, in order to raise their quality.

Fourth, great efforts should be made to earn more foreign exchange from sources other than foreign trade. Some of the facilities built in Zhejiang in recent years to accommodate more tourists have not been fully utilized. We should take various measures to attract more visitors. To attract foreign tourists, we should improve our service, develop new travel projects with special local features, and improve production and supply of souvenirs. We should also promote international economic and technical cooperation, expand the export of labor service, and strive to make new headway in winning foreign contracts and exporting labor. To increase foreign exchange earnings, we should also continue to expand insurance services for foreign businesses. To attract more foreign exchange from overseas remittances, we should provide families of Overseas Chinese better commodities and services, and do a still better job in handling Overseas Chinese affairs.

While making contacts with foreign countries and importing foreign technology and equipment, we should continue to concern foreign exchange, and pay attention to economic results. Special attention should be given to strictly controlling the import of consumer goods.

6. Uphold the Four Cardinal Principles, and Intensify Building of Socialist Spiritual Civilization

The central task in the political and ideological realm today is to broadly and thoroughly educate people on the need to uphold the four cardinal principles, combat bourgeois liberalization, and consolidate, and develop, political stability and unity. The need to uphold the four cardinal principles has been incorporated in our country's constitution. These principles serve as the common political base on which people of all nationalities throughout the country fight in unity, and the foundation on which our country is founded and administered. At no time, and under no circumstances, will it be shaken. Political stability and unity, as well as a good social environment, are essential for economic construction, reform, and opening to the outside world. The real intention of bourgeois liberalization is to shake off CPC leadership and take the capitalist course. This runs counter to the fundamental wish of the people, who want an orderly modernization process. Like an upsurge, the ideological trend of bourgeois liberalization also once inundated Zhejiang's ideological and cultural front, and its impact and harm should not be underestimated. After several months of positive education and work in various quarters, the trend is now being reversed, and positive changes in public opinion have occurred. However, we still have to exert great, prolonged effort before we can completely eradicate the pernicious influence of this ideological trend. We should, in accordance with the policies set out by the CPC Central Committee, continue to combat bourgeois liberalization firmly, soundly, and perseveringly. Our stand must be firm and resolute, and we should not give up halfway. On the other hand, we should follow correct principles and policies, and persist in carrying out ideological education, and use reason to persuade people. The six policies, which will remain unchanged, as stated by Premier Zhao Ziyang in his government work report, must be firmly followed.

As far as the vast number of cadres and masses are concerned, positive education is essential for helping them understand the need to uphold the four cardinal

principles and combat bourgeois liberalization. This year we have, by groups and by stages, organized county-level and higher level cadres as well as main-stay cultural workers to systematically study Comrade Deng Xiaoping's article "Build a Socialist Society with Distinctive Chinese Characteristics," and other relevant documents issued by the CPC Central Committee; examine the actual situation; and sum up their experiences and lessons in order to unify their understanding. The study program should continue because it has played a positive role in helping people deeply understand the significance of upholding the four cardinal principles, and in changing the impotent and chaotic state of political and ideological work. Governments at all levels and all departments must attach great importance to ideological and political work. Ideological work must be more relevant and more persuasive, and it should not be conducted in an unrealistic and ineffective manner. In recent months, many local departments have organized their staff members to visit various construction projects and advanced units, and institutes of higher education have guided their students to take part in social work and conduct social investigation. Such measures of integrating positive, direct education in upholding the four cardinal principles with education in the current situation and policies have been proved to be quite effective in strengthening and improving ideological and political work. We should continue this form of education, and constantly enrich and improve it.

Establishing civilized villages, towns, and units and launching five-good family activities are effective ways to promote spiritual civilization in grassroots units. We should sum up experience, commend the advanced, and strive to widen the scope of these activities and carry them out more thoroughly. We should also continue to encourage the military-civilian and police-civilian joint efforts to build spiritual civilization and set up and develop militiamen's homes, youth centers, and cultural centers. In addition, we should extensively promote the "four-haves" and "five-loves" education in urban and rural areas; launch healthy cultural and recreational activities; promote the new socialist social ethics, further strengthen the unity between the army and the government and between the army and the people; properly carry out work in supporting the army and giving preferential treatment to the families of revolutionary army men and martyrs; strictly prohibit gambling activities; crack down on pornographic videotapes and magazines; and oppose extravagance in holding weddings and funeral ceremonies; and crack down on inappropriate building of cemeteries, as well as other unhealthy practices. Spiritual civilization must be considered as an important factor in planning the development of villages and towns, and in evaluating individual performances in all professions and sectors.

We should improve the vocational ethics of all professions and industries. Vocational ethics reflects the mentality of the people of a place or a nation. Poor service is a commonplace at the moment. This is a matter concerning structural reform, one's educational level and mentality, and the need to improve discipline. In our country, all professions and social sectors and people working in all fields are mutually dependent, and should serve one another. Everyone works for me, and I work for everyone. There should not be any difference in one's rank and position. Lack of enthusiasm in one's work and failure to respect others' work are uncivilized and immoral. The central subject of the education in vocational ethics is to educate people of all professions and in

all positions to provide good service to others. Based on the characteristics of their work, all sectors and units should lay down their own vocational ethics, commend the advanced, and set good examples for the masses.

Schools should be regarded as the front, and education as a basic means to promote socialist spiritual civilization. We should attach importance to educating our children and their parents, and pool the efforts of various sectors to develop preschool education. If conditions permit, organs, enterprises, institutions, villages, and towns should do their best to establish kindergartens and preschool classes. We should also work hard to develop elementary education. Based on "The Compulsory Educational Law of the People's Republic of China" and the implementation regulations of Zhejiang Province, we should make positive efforts to systematically develop 9-year compulsory education. In addition, we should appropriately collect and use educational surcharges and make constant efforts to improve school facilities and teaching quality. We plan to select and commend a number of advanced townships in promoting elementary education this year. We shall continue to reform the secondary educational structure, bring development of ordinary high schools under control, and effectively curb the tendency of laying undue emphasis on receiving higher education. Vocational and technical education should be developed steadily after it is firmly established and improved. Factories, mining enterprises, and schools should be encouraged to continue to jointly sponsor various classes, and the "training before working" employment system must be strictly implemented. As for ordinary higher education, we should take the actual situation into consideration, and act according to our capability. We should expand specialized study, reduce regular college courses, step up specialized training in great social demand, and reduce those less popular. Besides, we should give our major support to studies with special characteristics designed to serve economic development. Total enrollment should be maintained at last year's level. Enrollment and cultivation of postgraduates should also be aimed at economic and social development. Adult education should be gradually switched to individual vocational training. Enrollment of colleges for adults, completely or partly released from work, should be reduced. The quality of adult education should be improved. Teacher-training education should be properly developed, and school teacher's professional training should be improved. The fundamental goal of our education is to raise the people's educational level and cultivate specialized people for socialist construction. Our students should not only have concrete scientific and general knowledge, but should also have patriotic spirit, socialist awareness, and sound moral sense. Teachers should not only teach, but also educate students and set a good example for them. The quality of teaching and educating students should be used as an important factor in evaluating the performance of a school and teacher, and in deciding promotion. Governments at all levels, and schools of various categories, should show concern for, and strive to improve, teachers' working and living conditions.

Science and technology should play an important role in both material and spiritual civilizations. Along with our efforts to step up science research and promote scientific and technological results, we should propagate science vigorously. The ignorant and backward phenomena, such as feudal superstitions, and the bad habit of disregarding health endeavors now existing in many localities,

stem from a lack of basic scientific knowledge. Popularizing scientific knowledge, inducing the populace to transform prevailing habits and customs, and overcoming ignorance and backwardness are the glorious and bounden duty of the broad masses of scientists. The focus of scientific dissemination is on the rural areas. It is necessary to spread all kinds of scientific knowledge and promote a new practice of loving science, acquiring education, stressing health efforts, observing discipline and the law, and forging unity and harmony through popular channels, such as cinema, television, radio, exhibitions, and lectures. In keeping with the needs of the two civilizations, efforts should be made to steadfastly and systematically promote scientific and technological reforms. Early this year, the State Council worked out "regulations on further promoting scientific and technological structural reforms," calling for restructuring scientific and technological organizations, enhancing the flow of personnel, loosening control of science research institutes, liberalizing policies on scientific and technical personnel, and promoting the close integration of science and technology with the economy. This is an important step in implementing the CPC Central Committee's "Decision on Scientific and Technological Structural Reforms," which requires earnest organizational and implemental efforts. Experiences should be continually summed up in connection with the "Spark Plan," which is intended for small- medium-sized, village, and town enterprises, and which, as a long-term policy, should be perseveringly pursued. It is necessary to stabilize rural scientific and technological ranks; encourage scientific and technological personnel to go to impoverished areas to provide technical services, train personnel and help those areas develop production projects, requiring shorter construction periods and lesser investment, and produce quick results; and do a good job of fighting poverty with science and technology.

Literary, art, news, publishing, radio, and television departments, and the broad masses of cultural workers, shoulder a weighty responsibility in building a socialist spiritual civilization. These departments should reset their political directions, uphold the Four Cardinal Principles, continue to enforce the principle of letting a hundred flowers blossom and a hundred schools of thought contend and, under the goal of serving the people and socialism in a democratic and unified atmosphere, uphold and develop Marxist theory, and invigorate and promote all kinds of academic, cultural, and art endeavor. The press has developed swiftly in recent years, playing a positive role in carrying out reform and the open policy, and in building the two civilizations. The problem now is the excessive number of publications. The political and professional qualities of some press contingents are low, and they are too heavily subsidized. All press agencies should reregister with publication authorities in a 3d quarter of this year, in strict accordance with the relevant notification of the CPC Central Committee. It is necessary to upgrade the quality of spiritual products, give top priority to social benefits [she hui xiao yi 4357 2585 2400 4135], inspire mass contributions to socialist modernization, and further enrich the public's spiritual and cultural life. To the extent that financial resources at various levels permit, support should be given to the building of such mass cultural establishments as libraries, cultural centers, museums, archives, and theaters, and efforts should be made to ensure success in cultural preservation, and to promote cultural exchanges with foreign countries.

In health work, continuing efforts, focused on rural health reform, should be made this year to establish all kinds of rural health organizations, in order to improve medical and disease-preventive services in most rural areas. More attention should be paid to developing traditional Chinese medicine, and to forging the integration of Chinese and Western medicines. Continuing efforts should be made to launch an extensive patriotic health movement, to step up supervision and management of food sanitation, to do a good job of eliminating rats and improving water resources in rural areas, and to control, and reduce, the incidence of common and frequent diseases. All medical units should stress social benefits [she hui xiao yi 4357 2585 2400 4135], upgrade medical quality, and improve services. The Sixth National Games are scheduled for this autumn. Sports departments should intensify training, make proper preparations, and accomplish remarkable results. It is essential to strengthen physical education in schools, vigorously promote mass sports activities, and continue to encourage efforts to become advanced sports counties.

A serious scourge for now and in the future, environmental pollution and ecological destruction have caused increasing anxiety and dissatisfaction among the people. Environmental protection is one of China's fundamental policies. Governments at all levels and all units should strictly enforce the "Environmental Protection Law (for trial implementation) of the People's Republic of China," and effectively change the tendency of stressing production and construction, to the neglect of environmental protection. It is necessary to do a good job in water and soil conservation, protection of water resources, sewage disposal, greening and beautification of the environment, and disposal of garbage in urban areas.

7. Strengthen Socialist Democracy and the Legal System

The establishment of a sophisticated socialist democracy is the goal we are determined to strive for. However, our determination to uphold the Four Cardinal Principles and oppose bourgeois liberalization does not mean a slowdown in the process of socialist democratization. On the contrary, this is a democratization proceeding systematically, and with guidance in terms of politics, economy, and society. From the provincial government down, governments at all levels must spare no effort to establish various democratic channels, hold regular dialogue with the masses, including workers, peasants, teachers, students, and all walks of life, listen attentively to their opinions and demands, and accept reasonable suggestions and correct criticism. As a system, our socialist democracy is far from perfect, and it will be a long, gradual process. We must clarify for the masses, especially youth, the fundamental differences between socialist and capitalist democracy, and remove ambiguous perceptions and erroneous concepts about democracy. We must make the masses realize that those advocating bourgeois liberalization are trying to use abstract "democracy" and "freedom" against the four cardinal principles, and attempting to uproot the party's leadership and negate our socialist system. All this can only lead to extreme democratization and anarchy, and thus disrupt and delay the process of socialist democratization.

Our governments at all levels must act in accordance with the "Organic Law Governing Local People's Congress and Governments at Various Levels," to carry out

resolutions passed by people's congresses and their standing committees, be responsible to them, and accept their supervision. We must carefully handle motions assigned to us by people's congresses as well as proposals from people's congress deputies and CPPCC members. The CPPCCs, democratic parties, and public organizations must be able to exercise their supervision freely. To make policies scientifically and democratically and to prevent and reduce mistakes as much as possible, we must solicit and consider opinions from consultative and staff departments, as well as experts and scholars. We must seek to refine democratic systems at the grassroots. Workers congresses in enterprises should be able to exercise their democratic rights. Public autonomous organizations, such as villagers committees, neighborhood committees, and students associations, should be able to function without restraint. To achieve reunification of the motherland and socialist modernization, we must carry on policies regarding minority nationalities, religion, Overseas Chinese affairs, and Taiwan, actively promote overseas contacts, and mobilize the initiatives of all nationalities in all walks of life.

Socialist democracy and the legal system are of equal importance; neither should be overemphasized at the expense of the other. As our democratization progresses, economic reform deepens, and economic development advances, we shall need more and more legislation to regulate our social and economic activities. More attention should be paid to the drafting of local laws and regulations, and the enactment of administrative laws and regulations. Supervision over the implementation of laws and regulations should be strengthened. We must use legislation to regulate various social and economic relations and ensure that laws are obeyed and enforced, and violation of laws is corrected.

In strengthening socialist democracy, promoting the socialist legal system, and performing various tasks strictly in accordance with the law, the fundamental question is to educate the people. We must continue to do a good job in popularizing legal knowledge among citizens, and seriously implement the "Decision on Strengthening Education on the Legal System and Protecting Stability and Unity," promulgated by the Standing Committee of the National People's Congress. Education on the constitution should be the core of our efforts to popularize legal knowledge, the education being mainly intended for cadres and young people. We should start this work from cities and gradually extend it to the rural areas. Through education on the legal system, we shall be able to raise the people's concept of it and citizen's duties in this province, and enable them to understand and abide by the law, carry out their various activities within the limits of the constitution and law, and use the law as their weapon in fighting against activities violating the constitution and the law.

Under the socialist system, for various domestic and international reasons, class struggle within a certain scope will exist for a long period, the remnants of the old system and ideology will also last for a long period, and the corrupt ideology and lifestyle of the bourgeoisie will infiltrate our country on a massive scale in the course of opening to the outside world. It is a prolonged task in our struggle against the criminal phenomenon. Therefore, we must strengthen the people's democratic dictatorship, not weaken it. We should further strengthen the building of public security and judicial personnel, and give full play to the role of dictatorship organizations. We should continue

to severely punish serious criminal activities and serious economic crimes in accordance with the law. We should further implement comprehensive measures to improve and consolidate public security, joint defense, mediation work, the guarding of state secrets, fire fighting, market management, traffic control, and other work at the grassroots level. We should raise the preventive capability of the entire society, and the ability for self autonomy of basic level organizations in this way, we shall be able to create a better social order and tranquility for our economic reform and construction.

Government offices at various levels must firmly establish the thinking that leadership means service, overcome bureaucratism, reduce red tape, simplify administration, delegate more authority to lower levels, and further improve workstyle. We should learn and master how to employ economic and legal means to administer economic and social affairs. All departments and staff members and workers should clearly know their duties and implement the responsibility system. We should go deep into reality, carry out investigation and study, refrain from speaking empty words, act positively, closely cooperate, take the initiative in consulting with other people, eliminate disputes over trifles, strive to raise work efficiency, and help the basic level and masses solve various problems in a solid manner. We must firmly implement all tasks. Regarding various policies and measures decided by the State Council and the provincial People's Government, we must conscientiously implement them and never fail to carry out orders, ban undesirable things, or go one's own way. Government organizations at various levels and leading cadres should take the lead in observing state policies and laws, resolutely resist, and correct, the practice of using their power to seek self-interest and other unhealthy tendencies, and wholeheartedly serve the people.

Deputies, 1987 is the 2nd year of the "Seventh 5-Year Plan." The tasks facing us are very heavy and arduous. We firmly believe that, as long as the people of the whole province unite as one, work and struggle hard, carry forward our achievements, overcome various difficulties, adhere to the Four Cardinal Principles, correctly and completely implement the line, principles, and policies formulated since the convocation of the 3d Plenary Session of the 11 CPC Central Committee, and consolidate and develop the political situation of stability and unity, we can certainly achieve abundant results in building socialist material and spiritual civilizations!

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BRIEFS

SHANGHAI ECONOMIC TELEVISION STATION--Beijing, June 5 (XINHUA)--China will officially air the country's first economic television station in Shanghai, June 15. The broadcast is designed to publicize the country's economic policies, distribute economic information and introduce new products to consumers. [Text] [Beijing XINHUA in English 1159 GMT 5 Jun 87 OW] /8309

CSO: 4020/217

LIAOWANG ON FORMULATION OF PRC'S INDUSTRIAL POLICY

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[Article by LIAOWANG reporters Li Shiyi (2621 0013 5030) and Du Yaojin (2629 5069 6651): "Another Important Move To Promote Economic Modernization--Commenting on China Stepping Up the Formulation of an Industrial Policy"]

[Text] Editor's note: Just as conjectures on China's reform and opening up are on the increase in the outside world, our reporters have learned from the State Council's Technological, Economic, and Social Development Research Center that the Chinese government is stepping up the formulation of an industrial policy to advance the reform and to tailor the economic development to the state long-term interests.

This move has secured the approval of Premier Zhao Ziyang. In his view, this is a new line of thought for expanding the integration of reform with development.

China set about formulating its industrial policy in the spring of last year. It has now attained phasic results. Economic departments subordinated to the State Council are submitting the reports to the State Council's Technological, Economic, and Social Development Research Center to be summed up into a general report, which will be used as a guide in formulating the state's programmatic document for economic modernization. People in economic circles hold that the formulation of an industrial policy indicates that the Chinese Government is steadfastly pushing forward economic modernization, reform, and opening up.

What contents will China's industrial policy include? Why is it being put forward now and why is it drawing attention? What does it mean to China's modernization program and to reform and opening up? These are questions of interest to the readers. Therefore, our reporters have visited the relevant State Council departments and asked some experts participating in studying and formulating the policy to write articles to introduce it. [End editor's note]

The Right Moment Has Come

China's industrial policy principally studied and formulated by the State Council's Technological, Economic, and Social Development Research Center will include the following contents: policies for industrial structure, policies for industrial organization, and policies for stimulating and restricting industries.

China put forward the need to pay attention to the question of industrial policy in its official document for the first time in the spring of 1986. The proposal of the CPC Central Committee for the Seventh 5-Year Plan (1986-1990) stressed: The state should continue to ensure the all-round development of agriculture, improve the internal structures of light and heavy industries, speed up the development of energy and raw material industries, keep the growth of ordinary processing industries under control, vigorously develop the building industry, and speed up the development of tertiary industry; and vigorously apply new technology in transforming traditional industries and stimulating the prosperity of new industries. It also drew an outline for the nation's industrial structure in 1990. Of the gross value of industrial and agricultural production, the proportion of agriculture will drop from 23.9 percent to 21 percent, that of light industry will rise from 38 percent to 39 percent, and that of heavy industry will rise from 38.1 percent to 39.6 percent; it also stipulated the proportions of the primary, secondary, and tertiary industries in the GNP. The strategic vision and scientific nature of the policy decision manifested in this document have attracted worldwide attention.

Over the past 30-odd years, China has also had its own industrial policy. It once followed in the footsteps of the Soviet Union by giving top priority to the development of heavy industry, implemented various policies on industrial structure, such as "taking grain as the key link and ensuring an all-round development" and "taking steel as the key link"; but it has never had a systematic system of industrial policy of its own, as well as the relevant support policies and measures. This is because the founding of an industrial policy system has its indispensable subjective and objective conditions. For example, a country should have its long-term development strategy, people provided with the concept of viewing the situation as a whole and systematic thought, a stable political situation, and continuous policies to ensure the implementation of the industrial policy. These necessary conditions are becoming more mature with each passing day.

In recent years, Deng Xiaoping explained to the external world on numerous occasions that China will strive to become "comparatively prosperous" and to march toward the level of countries with intermediate development in the next 20, 50, and 70 years. The economic reform which has been going on for 7 or 8 years and the policy of opening up to the outside world have been defined as basic national policies. Since 1978 the study of the national conditions and strategy has been surging forward. Hundreds of treatises on state development strategies have been published throughout the country and tens of thousands of study reports have been submitted to

government policy decision departments. Governments from the central to the local levels have set up think tanks to let experts take part in decisionmaking. Major research achievements on developing strategy and countermeasures, such as the study entitled "China in the Year 2000," the white paper entitled "A Guide to China's Policy on Science and Technology," and the blue paper entitled "China's Technological Policy," have been published one after another. All these major data show that the conditions for China to march toward modernization are increasingly mature. This has provided a basis for China to study and formulate an industrial policy system, which serves as the highest policy for future economic development.

Reflections on Development in the Past 30 Years

According to an authoritative source, the main contents of the forthcoming industrial structure policy are as follows: a policy on improving the structures of such basic industries as energy, communications, and raw materials and raising their supply capacities; a policy on the selection of leading regional industries and the distribution of the nation's leading industrial areas; and a foreign trade policy on participation in international cooperation.

The industrial organization policy, however, is composed of the policy of defining the objectives of economies of scale, the policy of establishing and improving the production factors circulating market [sheng chan yao su liu dong shi chang 3932 3934 6008 4790 3177 0520 1579 1034], the policy of promoting the standardization of production and technological progress, and the policy of organizing and setting up enterprise groups.

Moreover, to support and ensure the implementation of these policies, a series of support measures regarding prices, banking, taxation, finance, and foreign exchange will also be formulated.

There is another reason why China has opted for the above-mentioned line of industrial development. After engaging in construction for over 30 years, China has initially developed an independent and comprehensive production system which is large in scale and fairly complete in range and which has fairly advanced technological equipment in certain fields. However, despite these major achievements, China has also "owed" many historical "old debts." A queer phenomenon is that, although the total value of China's fixed assets is in the front ranks of the world, its increased wealth is quite limited. As some people put it, "though many hens are raised, they lay few eggs."

The answer to the problem can only be found from the historical process of China's economic development. For a long time, the Chinese economic management departments have consistently regarded the expansion of construction scale and the progressive increase of output value as a basic yardstick to measure economic development. They attached great importance to launching new projects and engaging in construction but neglected the rational coordination between different industries and between different

trades and professions in each industry. Take transport and communications as an example. For 20 years China has paid more attention to land rather than inland river transport. As a result, a lopsided situation has developed whereby railways and highways are overloaded while a large number of inland rivers are left out in the cold. According to some experts, if the utilization level of the Chang Jiang can reach that of the Mississippi River, its transport capacity would equal that of 20,000 km of railways; if the shipping potentials of the more than 70,000 km-long Chang Jiang river system are fully tapped, its transport capacity would equal that of 100,000 km of new railways. As far as China is concerned, whose communications and transport are unusually busy and by far incapable of satisfying the needs, what a great waste or what a great potential this is!

Let us look again at the relationship between the processing and manufacturing industries and the basic industries. For a fairly long time, China has laid particular stress on the construction of processing and manufacturing industries but somewhat neglected the basic industries. This has resulted in the overall strains on energy, transport, telecommunications, and the supply of raw materials. According to statistics, there is a one-third shortfall in the nation's power supply. For this reason, factories in many localities can only operate 4 or even 3 days a week and a method of "ensuring power supply in the city proper and restricting power supply in the suburbs" has to be adopted in many cities.

The two basic trends of socialized mass production are as follows: On the one hand, production has been increasingly concentrated and, with the enhancement of the economic strength of enterprises and the ensuring renovation of technology and equipment, economies of scale marked by mass production have taken shape; on the other hand, the increasingly minute division of labor in specialized production has made it easier to meet the requirements of many levels and to rationally utilize resources and crisscrossed enterprise networks. But most enterprises are "neither big nor small" and have "complete vital organs." Take the car industry as an example. China has set up as many as 100 motorcar plants. This figure surpasses the total number of commercial car plants in the United States, Japan, the GDR, France, Britain, and Italy. But we have only three plants with an annual output of over 10,000 cars.

New Issues Raised by Reform and Development

The reform conducted since 1978 has instilled new vitality into the Chinese economy. With the gradual development of reform, market mechanisms have begun to produce an effect, the initiatives of localities, enterprises, and individual workers have been gradually mobilized, and lateral combination has issued a challenge to the traditional system. Meanwhile, from 1981 to 1985, the growth rates of China's national income, per capita output value, total industrial output value, and total agricultural output value were all first in the world. However, following an increasingly higher growth rate, the Chinese economy became "overheated." As a result, China was forced to "lower the temperature" in a mandatory way. Why is it that winning gold medals may not be a good thing? A fundamental reason

is that such a high growth rate in the Chinese economy was based on an irrational economic structure. The faster its development and the greater its scope, the greater the loss and waste would probably be. The extensive poor economic results and the large quantities of unmarketable products are clear proof. According to statistics provided by experts, the proportion between input and output in China's capital construction is only between one quarter and one-fifth of that in developed countries while the consumption of energy and materials for every 10,000 yen worth of output value is 100 to 300 percent higher. China has been able to produce 50 million tons of steel annually but the unmarketable steel lying in stock amounts to about 30 million tons, making it necessary to draw on the urgently needed foreign exchange to import a large quantity of steel products.

Moreover, in recent years China has also paid attention to the adjustment of industrial structure and has gradually increased investments in basic industries. But the reform of the economic structure has led to a new situation namely, the proportions of local finance and extrabudgetary investment in the total volume of investments have risen. Due to the lack of efficient guidance, most of these funds have flowed to such medium- and lower-level industries as consumer goods production and processing. Relatively speaking, therefore, with the development of the economy, the lagging situation of basic industries, which serve as an upper-level industry, has not changed but tended to deteriorate. There is a "fault" between the reform and the development.

New Topics and New Countermeasures

All this has presented Chinese economic experts with a new topic: What line of thought should be used in integrating economic development with economic restructuring? That is to say, by proceeding from the actual conditions in China, centering on the general objective of economic development, and mobilizing various means, including reform measures, we should stimulate the rationalization and modernization of the economic structure, achieve the best coordination and utilization of resources, and thus lay a foundation for the steady, stable, coordinated, and rapid development of the Chinese economy in the future.

It is against such a background that the study and formulation of China's industrial policy has been launched. Ma Hong, director general of the State Council's Technological, Economic and Social Development Research Center and noted economist, has submitted to Premier Zhao Ziyang a "Report Requesting Instructions on Launching the Study of Industrial Policy." The report suggested formulating, in light of the requirements of the national conditions a systematic industrial policy and a relevant policy system with the industrial policy as its core to ensure the steady development of China and the smooth progress of reform. It was immediately approved by Zhao Ziyang. With the approval of the State Council and with the "expert-type officials," such as Ma Hong, An Zhiwen, Fang Weizhong, and Zhu Rongji, who have both experience in economic management and high

academic attainments, taking command, preparations were started for this large systems engineering. Experts and officials from about 100 units, including the departments in charge of comprehensive management and various specialized departments, such as the State Planning Commission, the State Economic Commission, the State Scientific and Technological Committee, and the State Council's Technological, Economic and Social Development Research Center, the Chinese Academy of Social Sciences, the relevant universities and colleges, and a number of central and local research institutes, as well as government departments in charge of comprehensive management in various localities, have taken part in this work and set up an "Industrial Policy Special Study Group."

According to the briefings of some experts, the entire project is expected to take 3 years and to be carried out in three stages: Separately study comprehensive policies on various trades and profession and on some other aspects; sum up the above-mentioned policies, separately study the policies in various localities and, at the same time, conduct exchanges among Chinese and foreign academic circles; further sum up and study the policies on various trades and professions and in various localities and, on this basis, put forward a general report.

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STATISTICAL BUREAU RELEASES INDUSTRIAL OUTPUT FIGURES

OW081228 Beijing XINHUA in English 1203 GMT 8 Jun 87

[Text] Beijing, June 8 (XINHUA)--China's industrial output value amounted to 399.6 billion yuan in the first five months this year, a rise of 14.6 percent over the same 1986 period. According to figures released by the State Statistics Bureau here today.

Light industry was up 15.2 percent while heavy industry jumped 14 percent.

China's energy and raw material industries kept growing during the first five months of this year. The output of electricity, crude oil and coal came to 195.5 billion kwh, 397.7 million barrels and 354.06 million tons respectively in January-May. These represented increases of 10 percent, 4.6 percent and 4.2 percent respectively.

The output of major raw and semi-finished materials, such as steel, pig iron, cement, timber, artificial board and plastics, rose from between 6.7 percent to 31.1 percent.

To support agricultural production, China produced 6.88 million tons of chemical fertilizers, 115,000 tons of insecticides and 478,000 small tractors during the five-month period, up 25.9 percent, 24.4 percent and 42.7 percent respectively.

The output of household electrical appliances which are in great demand increased by a big margin during the period. Some 1.32 million refrigerators, 4.45 million washing machines, and 2.28 million color TV sets were produced, increases ranging from 23.8 percent to 91.8 percent.

In addition, big increases were registered in the output of major textiles. Light industrial products and food production, including cloth, raw silk, wool, knitted wool, bicycles, wrist watches, cigarettes, beer and dairy products.

Progress was also made in transport and post and telecommunications in the first five months. A total of 1,043 million tons of cargo and 2.49 billion

passengers were handled respectively by railway, highway, waterway and air, while business transactions of post and telecommunications throughout the country reached 1,513 million yuan, all surpassing the figures for the same period in 1986.

Officials of the State Economic Commission attributed the achievements to the faster growth in social demand, improved management of enterprises, which are now becoming more responsive to the market forces, and better coordination of various economic sectors.

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INDUSTRIAL OUTPUT VALUE RISES IN MAY

OW100618 Beijing XINHUA in English 0533 GMT 10 Jun 87

[Text] Beijing (CEI)—China's industrial output value amounted to 399.6 billion yuan in the first five months this year, a rise of 14.6 percent over the same 1986 period, according to the figures released by the State Statistics Bureau.

Light industrial production was up 15.2 percent, and heavy industry, up by 14 percent, compared with the corresponding period of last year.

Figures of major industrial products in the period are as follows:

<u>Products</u>	<u>Output</u>	<u>Percentage of increase or decrease</u>
Coal	354.06 million tons	"4.2
Crude oil	54.48 million tons	"4.6
Electricity	195.5 billion kwh	"10
Steel	22.628 million tons	"6.7
Rolled steel	17.818 million tons	"5.9
Pig iron	21.844 million tons	"9.5
Plastics	636,300 tons	"23.4
Timber	24.05 million cubic meters	"9.9
Artificial board	854,900 cubic meters	"31.1
Cement	67.98 million tons	"9.5
Plate glass	21.86 million cases	"3.1
Chemical fertilizer	6.88 million tons	"25.9
Insecticides	115,000 tons	"24.4
Small tractors	478,000	"42.7
Motor vehicles	175,300	"9.6
Bicycles	16.5 million	"21.2
Sewing machines	4.08 million	-2.5
Wrist watches	25.66 million	"16.3
TV sets	7 million	"23.1
Tape recorders	8.06 million	"35.3
Household washing machines	4.45 million	"23.8

[Chart continues on following page]

<u>Products</u>	<u>Output</u>	<u>Percentage of increase or decrease</u>
Cameras	780,000	-9.9
Electrical fans	16.566 million	-0.6
Household refrigerators	1.32 million	"91.8
Chemical fibres	511,400 tons	"19.1
Yarn	1.72 million tons	"10.4
Cloth	6.65 billion meters	"7.5
Silk	19,700 tons	"16.6
Woolen goods	101.58 million meters	"8.1
Knitting wool	69,000 tons	"28.3
Beer	1.923 million tons	"37.7
Canned food	440,000 tons	-10.2
Dairy products	97,435 tons	"28

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CSO: 2020/216

SHANGHAI INDUSTRIAL OUTPUT VALUE IN MAY SHOWS INCREASE

OW050846 Beijing XINHUA in English 0651 GMT 5 Jun 87

[Text] Beijing, June 5 (XINHUA)—The industrial output value of Shanghai, the largest industrial city in China, hit 8.24 billion yuan last May, a 7.2 percent increase over the same month last year.

In the past five months, the total industrial output value of this city jumped to 39.733 billion yuan, an increase of 8.5 percent over the same period last year, today's GUANGMING DAILY reported, quoting an official of the Shanghai Statistics Bureau.

The official attributed the progress to citywide efforts to increase production, economize and raise incomes while cutting expenses.

However, the results were not as good as expected due to the lack of raw materials and funds, the official said.

The official noted that by the end of last April, the production volume of 128 salable products increased by 20 percent, compared with same period of last year.

Meanwhile, there was an increase of 9.5 percent in the output value of light industries by the end of last May, compared to the same period of last year.

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CSO: 4020/216

INVESTMENT TO BOOST CHEMICAL FIBER OUTPUT

HK100622 Beijing CHINA DAILY in English 10 Jun 87 p 2

[Article by staff reporter Xie Songxin]

[Text] China's plan to produce at least 1.45 million tons of chemical fibre annually by 1990 compared with a million tons last year is encouraging the country's chemical giants to improve output and quality.

Petrochemical factories in Shanghai city and Shandong and Jiangsu provinces are expanding their production of synthetic fibre with heavy State investment and imported technology and equipment.

In Liaoyang, Liaoning Province, the Liaoyang Petrochemical Fibre Corporation is taking an unprecedented move to upgrade the technology of its existing facilities in an attempt to regain the status as the country's leading synthetic fibre producer.

The corporation, the largest producer before 1985, is updating 10 projects, including a steam cracker and production of polyester fibre, General Manager Li Chunfang told CHINA DAILY.

He said contracts have been signed to import technology and equipment from France, the United States, Italy, West Germany and Japan. Negotiations are under way for further imports.

Next month, the upgraded steam cracker, with technology supplied by the Technip Group of France, will start operation, increasing the corporation's annual polythene output by 20,000 tons.

Yu Shutan, an official of the corporation, said the central government will invest 896 million yuan (\$241 million) to complete 45 technology-updating projects and 20 construction projects by 1990.

This year, the corporation has a total investment of 150 million yuan (\$40 million) for technical renovation, Yu said.

Li said the central government will invest heavily to make his corporation a chemical fibre production base in north China after 1990 to further boost the country's production of synthetic fibre.

"The present technology-updating projects aim at reducing energy consumption, improving product varieties and increasing total output by 10 percent," Li said.

The Liaoyang corporation is trying to increase its total output value to 3 billion yuan (\$800 million) in 1990 compared with 1.5 billion yuan (\$400 million) last year.

Pierre Valentin, chairman of the board of directors of Technip, said his group, which won the contract to design and supply most of the technology and equipment to the Liaoyang corporation in 1973, is willing to further co-operate with China in its technical renovation drive.

"It'll be easier for us to undertake the projects because we are familiar with them," said Valentin, who visited Liaoyang on Monday. "We are also willing to compete with other foreign businesses."

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FIRST QUARTER TEXTILE OUTPUT VALUES PUBLISHED

OW100622 Beijing XINHUA in English 0540 GMT 10 Jun 87

[Text] Beijing (CEI)—Following are figures of textile output values in the first quarter of 1987 and of their comparison with the same period last year:

<u>Product</u>	<u>Unit</u>	<u>Value</u>	<u>Percentage of increase " decrease</u>
Textile industry's total			
output value	billion yuan	25.309	"9.1
Chemical fiber pulp	ton	45,008	-6.8
Chemical fiber	ton	291,466	"13.4
rayon fiber	ton	50,103	"5.0
synthetic fiber	ton	241,363	"15.4
cotton yarn	ton	980,400	"10.4
cloth	billion meters	3.646	"8.6
cottonette	billion meters	2.319	"14.2
cotton blends			
chemical fiber	billion meters	1.327	"0.2
polyester blends	billion meters	1.059	-1.8
cotton prints	billion meters	1.833	"2.9
rubberized fabrics	ton	13,078	"2.9
wool fabrics	million meters	54.34	"11.6
knitting wool	ton	36,567	"25.4
woolen blankets	million pieces	6.9788	"36.0
gunny sacks	million pieces	174.62	"14.6
silk	ton	10,906.65	"11.7
silk fabric goods	million meters	303.1297	"1.8

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CSO: 4020/216

BRIEFS

INCREASED EXPORTS URGED--Beijing, June 8 (XINHUA)--China will invigorate its light industry by concentrating development efforts on exports, Light Industry Minister Zeng Xianlin announced here today. During a nation-wide telephone conference, Zeng said: "Through increased exports, we hope that more light industrial enterprises will be involved directly in the competition on the international market, thus in a position to assimilate sophisticated foreign technology and managerial expertise." According to Zeng, the advantages of competition in labor-intensive products is moving from industrialized nations to low-wage developing countries, providing good opportunities for China to expand its market abroad. The minister urged coastal areas and major light industrial enterprises to take the lead in expanding exports. [Text] [Beijing XINHUA in English 1547 GMT 8 Jun 87] /8309

CSO: 4020/216

CEI REPORTS CEMENT MARKET SUPPLY FLOW

OW080718 Beijing XINHUA in English 0551 GMT 8 Jun 87

[Text] Beijing, (CEI)--There will be a change in China's cement supply flow because of the imbalance of regional demands and distribution of resources of goods.

This was disclosed by China's recent meeting for placing orders for building materials for the second half of 1987.

The cement under the state unified distribution in 1987 totals 25 million tons. 12.55 million tons were ordered in the first half of the year and 12.45 million tons have been left for the second half.

The recent meeting received orders totalling 10.11 million tons. Local resources have shown surplus in some regions and deficiency in others.

North China: Beijing, 460,000 tons short; Tianjin, 150,000 tons short; and Shanxi Province, 110,000 tons short.

Northeast China: Heilongjiang Province, 220,000 tons short; east part of Inner Mongolia, 100,000 tons short.

East China: the whole region, 590,000 tons in surplus, while Fujian Province, 150,000 tons short.

Central and south China: the whole region, 860,000 in surplus, while Guangdong Province, 70,000 tons short.

Southwest China: 820,000 tons in surplus.

Northwest China: 180,000 tons in surplus.

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EVALUATION OF KEY PROJECTS PAYS DIVIDENDS

OW061202 Beijing XINHUA in English 1150 GMT 6 Jun 87

[Text] Beijing, June 6 (XINHUA)--China's evaluation of its key capital construction projects in the past year and more, a way to improve the economic results from capital construction, has paid off, according to Shi Qirong, general manager of the China international project consultants, here today.

The method of "evaluation first and decision-making later" was adopted early last year in the procedures for deciding on the country's major construction projects.

China international project consultants, which was set up in 1982, is a company authorized to make such assessments.

Shi said that since early last year his company has saved more than three billion yuan (about 810 million U.S. dollars) in investment after reviewing 117 projects.

Last year alone, he said 85 large and medium-sized projects were checked and the unnecessary parts of investment for 40 projects, totalling two billion yuan, were cut.

During the first five months of this year, he continued, similar work was done on another 32 projects, saving one billion yuan.

The China international project consultants is authorized by the State Economic and Planning Commissions to review 225 key capital construction projects this year, the general manager said.

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NEW TYPE OF SALES SYSTEM TAKING SHAPE

HK110945 Beijing CHINA DAILY in English 11 Jun 87 p 2

[Article by staff reporter Gang Yi]

[Text] The central government's efforts to break the State monopoly of commodity distribution are paying off. A new type of sales system is taking shape in China with diverse ownerships and different ways of operation.

State-run commerce still occupies a leading position, but its annual proportion of retail sales of manufactured goods has been decreasing dramatically.

According to the Ministry of Commerce, government-owned stores had only a 48.3 percent share of total retail sales last year compared with 92.5 percent in 1978.

At the same time, sales of the collectively-owned and private stores increased from 0.07 percent and 0.001 percent to 13.6 percent and 13 percent respectively during the same period.

In addition to the three fundamental forms—State, collective and individual—there have also appeared many other forms of commercial organizations which specialize in their own fields.

They have further diversified the structure of commerce, increased the flexibility of operations and quickened the distribution of goods.

This change for the better has been achieved after eight years of experiment and reforms which allow the co-existence of different forms of ownership and management.

By the end of last year, 5,649 cooperative associations had been set up in the country's commerce and catering trades employing 131,000 people.

A contract system has been widely adopted to increase the vitality of government-run department stores and shops. Under this system, 11,975 shops have been leased to individuals and 107 shops which were running at a loss sold.

The central government has also taken measures to streamline the management of State concerns and give local authorities more decision-making powers.

In the countryside, rural supply and marketing co-operatives have further improved their services. During the past eight years, they have set up more than 2,000 trade centres, and wholesale stores to help the development of small industries.

Established in the early 1950s with funds raised by farmers under the State's auspices, these co-ops mainly used to market agricultural and sideline products and supply manufactured commodities to rural areas.

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JOINT VENTURE TO BEGIN WORK SOON AT DAYA BAY PLANT

OW111928 Beijing XINHUA in English 1448 GMT 11 Jun 87

[Text] Shenzhen, June 11 (XINHUA)--A Sino-foreign joint venture will start civil engineering work soon on the Daya Bay nuclear plant in Shenzhen, Guangdong Province, under a contract signed here today.

According to the contract signed with the Guangdong nuclear power joint venture company, the joint venture, the hccm nuclear power station construction company, will be responsible for civil engineering work on a nuclear island (two nuclear reactors) and the power station house.

The new project is worth 224 million U.S. dollars, or about seven percent of the Daya Bay nuclear plant's costs.

The hccm company is run jointly by the Huaxing Company attached to the Chinese Nuclear Industry Ministry, the No 2 Engineering Bureau of the China Construction Engineering Corporation, the Campenon Bernard Company of France and the Maeda Company of Japan.

Hundreds of workers from hccm are now doing preliminary work on the construction site, and about 2,000 workers will be employed there next year. The whole civil engineering work will be completed by 1992.

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CSO: 4020/218

PROHIBITED IMPORTS LIST INCREASED

HK150517 Hong Kong SOUTH CHINA MORNING MOST (BUSINESS POST) in English
15 Jun 87 p 1

[Article by Olivia Sin]

[Text] China has beefed up its list of prohibited imports in a further effort to ensure only essential goods and machinery come into the country.

More than 80 types of consumer goods, raw materials and production equipment are now included in China's import control scheme as Beijing attempts to slice US\$2.7 billion off its imports bill this year.

Assembly lines for nonessential consumer items, such as television cathode ray tubes and air-conditioner parts, have been brought into the banned category.

Production equipment for these items and other non-essential items has been in keen demand over the past couple of years.

Trading sources said the expanded import-control list is substantially bigger than last year's, which prohibited about 50 types of import.

Sources said the Ministry of Foreign Economic Relations and Trade (MOFERT) plans to trim imports by eight per cent this year to US\$30 billion, compared with last year's \$32.7 billion.

Exports, however, are to be expanded only marginally this year, to \$27.5 billion from \$27 billion, in view of poor world prices for commodities.

China is placing emphasis on essential software equipment for the power, telecommunications and transportation industries.

Details of the additional products brought into the import-control net were disclosed recently by the official publication INTERNATIONAL BUSINESS.

Early last year, import licences were required for fewer than 10 categories of production equipment. These were assembly lines for the production of television sets, refrigerators, washing machines, air-conditioners, motor-cycles and mini-buses.

But 23 kinds of production line are now placed under licence control. Special approval is needed from the central government before they can be purchased.

The latest list covers production lines for the manufacture of TV cathode-ray tubes, compressors for airconditioners, containers for beer and beverages, nylon zippers and buttons, furniture, solar batteries and plastic bags, among others.

The list of Chinese herbs brought under import control has been expanded from 16 varieties to 22.

According to INTERNATIONAL BUSINESS, bulk import of 14 types of products, including steel, pulp, timber, sugar, aircraft, rubber, wool and cigarettes, will be subject to import licences issued by the Beijing headquarters of MOFERT.

Licences to import consumerables, assembly lines, Chinese herbs and chemical fibres can be issued either by MOFERT headquarters or provincial foreign-trade bureaus.

Traders said that China's drive to speed up its textile and beverage industries had resulted in a flood of imports of equipment to manufacture accessories such as zippers and beverage containers in the past year.

"That is why, the country is curbing these imports so that money will be used on more sophisticated and advanced equipment," one trader commented.

The traders said China, starved for hard currency, is eager to import production machinery that will help to boost its export earnings.

"For instance, textile machinery which helps to improve the quality of its products, and hence its market value, will be more than welcome," another trader said.

Sources also said China is considering the use of administrative means to trim imports by putting pressure on Chinese enterprises to buy equipment made domestically.

Import substitution was a recurring theme in speeches by top officials, including Premier Zhao Ziyang and the director of the State Planning Commission, Song Ping, at the National People's Congress in March.

A recent official directive said Chinese enterprises should buy Chinese-made production equipment for chemical fertilizer, even though it might be slightly inferior in quality to equipment available overseas.

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MORE ACTIVE BARTER TRADE WITH EAST EUROPE EXPECTED

HK150521 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 15 Jun 87
p 1

[Article by staff reporter Da Chansong]

[Text] China National Textile Import and Export Corporation is expecting more active barter trade with the five East European countries, following Chinese Premier Zhao Ziyang's current visits to Poland, the German Democratic Republic, Czechoslovakia, Hungary and Bulgaria.

The corporation, one of China's major exporters of textile products to the United States, Japan and Western Europe, is also a main force in barter trade, which is so far the only trade form between China and the five nations, according to Guo Lian, deputy general manager of the Agreement Trade Division of the corporation.

Last year, export to the five countries accounted for 7 percent of the corporation's total. Its products ranged from raw cotton and cloth to finished products such as garments and knitwear. China imports from the five countries machinery and electronics products, hardware, chemical products, rolled steel and some primary goods. China also exported light industrial products, handicrafts, native and animal by-products, cereal, edible oil and foodstuffs, and other semi-finished products.

Textile exports to the five countries have maintained a steady increase, Guo told BUSINESS WEEKLY. In 1985, the corporation exported \$110 million to Poland, \$72 million to Czechoslovakia, and \$43 million to Hungary, and the figures reached \$130 million, \$80 million and \$48 million respectively in 1986. This year, the export volume will be maintained or increased, he added.

"Barter trade between China and the five nations has great prospects," Guo said, "It helps both sides compensate for present foreign currency shortages and balance bilateral trade."

Other forms of foreign trade may also be adopted in the future if both sides consider it necessary, he said. Barter trade between China and the five nations is controlled by the governments. It is realized through set quotas for imports and exports worked out according to trade agreements between the two sides. They settle accounts through the state banks of each country.

For up to 30 years, the textile corporation and more than 15 other national import and export corporations directly under the Ministry of Foreign Economic Relations and Trade have been qualified to do barter trade with these countries. Other provincial branch companies have no direct trade deals with them, said Guo.

However, in order to expand bilateral trade, the Ministry of Foreign Economic Relations and Trade has also authorized some local trading companies to export products to these countries since 1984, on condition that their exports will not interfere with the business of the national corporations. So far, around one trading corporation in each province nationwide has gained such rights, but they are only goods suppliers and only the national corporations can sign export contracts.

But barter trade between China and the five nations is becoming more difficult, especially for the textile sector, said Guo.

The increasingly westernized socialist countries want more fashionable clothes with a wider variety of designs, colours and patterns. Whereas in earlier years, China exported the same types, patterns and colours for several years without changing. The quality of the products and delivery times demanded are more strict and specific.

"Facing this challenge, we have to select better-managed factories to produce export products," said Guo, "We will also improve on pre and post-sale services as claims for damages have been increasing in recent years for areas like shipping documents, packaging, quality and time of delivery, he said. Overall, however, trade between China and the five nations has increased rapidly. The total trade value this year is expected to reach 3.9 billion Swiss francs (\$2.6 billion), more than double the figure in 1984. Both sides have set up governmental commissions and hold meetings each year to discuss trade and economic and technical cooperation. In 1985, China signed a long-term trade agreement for 1986-90 with the five countries, for a total trade value of 20 billion Swiss francs (\$13.3 billion).

Apart from barter trade, China has also developed technical cooperation with the five countries. It has introduced some advanced technology and equipment mainly involving the machinery, automotive, electronics, food processing, textile and light industries, including a heavy duty truck production line from Czechoslovakia; refrigerated van design, manufacturing of combine harvesters from the German Democratic Republic; and fork lift equipment from Bulgaria.

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CSO: 4020/218

NATION TRYING TO IMPROVE TRADE TIES WITH BANGLADESH

HK150525 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 15 Jun 87
p 1

[Article by staff reporters Zhang Yu'an and Ma Lixin]

[Text] Bangladesh and China are stepping up their efforts to improve trade between the two countries which, while increasing fast in recent years, has been running more strongly in China's favour.

In order to reverse this trend, the two countries set up a Joint Economic Commission [JEC] in 1984 to look for ways to improve exports from Bangladesh to China and to strengthen economic, scientific and technical co-operation.

The Third Session of the JEC which ended last week in Beijing led to a protocol being signed on improving economic relations. The Bangladesh Deputy Minister of Finance, Fakhrul Islam Munshi, took part in the meeting.

"We are very, very satisfied with the political and economic relations of our two countries," said Enayetullah Khan, the ambassador of Bangladesh to China.

He said trade volume between the two countries in the past two years since July 1985 was three times more than the total in the years after Bangladesh established formal diplomatic links with China in 1985.

Exports from Bangladesh to China rose from \$33.5 million in 1985 to \$43.5 million in 1986 under a barter agreement.

Generally, Bangladesh imports China's machinery, cotton, textile products and pharmaceutical raw materials while it exports jute and jute goods, black tea, tobacco, hides and skins to China.

Apart from trade, China has begun to help Bangladesh to construct several projects.

A fertilizer factory, which started construction in 1985, was put into formal production last year with an annual output of 100,000 tons.

The Bangladesh-China Friendship Bridge over the Buriganga River in Dhaka was started last year and will be completed in 1989. The bridge is about nine metres high with a span of 900 metres. Enayetullah Khan estimated that the construction might be finished ahead of time because the Chinese workers were working very hard.

Last month, China signed an agreement to provide \$40 million in suppliers' credit through Bangladesh Shilpa Bank (Development Finance Institution) for setting up textile mills and a range of industries in the private sector, said the ambassador.

Others include a water conservancy project, a mini-hydro project, and a caustic soda plant.

But trade is still unbalanced. China exported more but imported less in the past year because of the limited items for export from Bangladesh.

The two sides also discussed the feasibility of establishing direct air links.

Up to now, there is only one small joint venture in Bangladesh. But several joint ventures are being negotiated now, said the ambassador.

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CSO: 4020/218

TRADE WITH USSR HELPS HEILONGJIANG INFRASTRUCTURE

OW151736 Beijing XINHUA in English 1426 GMT 15 Jun 87

[Text] Harbin, June 15 (XINHUA)--Infrastructural construction has speeded up in the border cities and towns of Heilongjiang Province since it resumed trade with the Soviet Union in 1983.

Over the past three years, a local official said today, the province has doubled its investment to 50 million yuan (about 13.5 million U.S. dollars) for such construction.

Now major streets have been topped with cement and asphalt; and running water and sewage pipes have been added.

Most of them have built new shops, schools, hotels, gymnasiums, libraries and other public facilities.

There are 19 cities and counties in the province that border on the Soviet Union, including Huma, Mohe, Tahe, Heihe, Suibin, Tongjiang, Jixi and Muling.

All of them can now receive central and provincial radio and television programs through newly built microwave telecommunications lines.

Navigation, aviation and ground transport facilities have also been improved. Heihe City built an airport and a dock on the Heilongjiang River to accommodate ships of 2,000 dwt. The Bei'an-Heihe Railway, now being built, will go into operation next year.

The construction is helping to boost border trade with the Soviet Union and trade with the eastern European countries, the official said. The province exports soybeans, peanuts, beef, canned pork, fruit and foodstuff to the Soviet Union while importing from it rolled steel, timber, cement and soda ash.

It began trade with Poland, Czechoslovakia, Yugoslavia and Hungary in 1985.

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CSO: 4020/218

CITIC EXPANDS OVERSEAS BUSINESS OPERATIONS

OW171210 Beijing XINHUA in English 1049 GMT 17 Jun 87

[Text] Beijing, June 17 (XINHUA)—The China International Trust and Investment Corporation (CITIC) boasted 18 overseas businesses by May this year, said an executive in the corporation.

These businesses, involving a total investment of more than 500 million U.S. dollars, cover development of natural resources, industry, communications, and transport and finance.

They are located in 11 countries and regions outside the Chinese mainland. Nine of them are in Hong Kong and Macao, involving over 300 million U.S. dollars in investment. Most of the others are in the United States, Canada and Australia.

The corporation started its first overseas business in 1984 as a result of the country's policy of economic reforms and opening to the outside world, said the executive.

Its overseas businesses are funded mainly with loans from foreign financial institutions, including the World Bank, the executive said, adding that some of these operations have already begun to turn a profit.

The corporation's profits have quadrupled in the last two years to reach 136 million U.S. dollars in 1986. Its assets have also increased to 2.2 billion U.S. dollars, nearly four times as much as in 1984.

"We have earned a good beginning with our overseas operations and will expand them in the future for greater profits and foreign exchange earnings. We want to contribute more to our country's modernization, and to the economic and technological cooperation between countries," said the executive.

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CSO: 4020/218

BRIEFS

POLYESTER FIBER IMPORT--Beijing, June 15 (XINHUA)--China is expected to produce a total of 200,000 tons of polyester fiber filament this year, ending its 10-year history of imports and saving nearly 300 million U.S. dollars in foreign currency every year. The present task is to further improve the quality of China-made polyester fiber filament, today's ADVERTISING NEWS quoted a recent national meeting as saying. In the last few years China has had to spend large amounts of foreign exchange to import such products to meet the increasing demand from China's 4,000 water jet looms and 5,000 high-speed warp knitting machines. Last year the country's polyester fiber filament enterprises topped 100 with a total annual output of 123,000 tons, 25 times more than in 1982. [Text] [Beijing XINHUA in English 1158 GMT 15 Jun 87] /8309

CSO: 4020/218

LIAONING'S DANDONG CITY REFORMS PORT ADMINISTRATIVE SYSTEM

SK310338 Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 30 May 87

[Text] After 3 months of deliberations, Dandong City's plan for reforming the port and the shipping systems was officially put forward on 29 May. This indicated an end to the protracted unified port and shipping management methods. This reform will play a positive role in promoting the opening and invigorating of the Liaodong peninsula.

Port loading and unloading, and ship transport of Dandong City are two different kinds of business. Due to the protracted unified management, the development of shipping was seriously affected. In order to increase the loading and unloading capacity of the port, and develop waterway transport to conform to the new situation in opening and invigorating the Liaodong peninsula, this reform has enabled the shipping company, which was originally subordinate to the port administrative bureau, to become an independent company, and a business partner of the bureau. In line with the principle of division of specialized work, they will operate independently, exercise independent accounting, and hold the responsibility for their own profits and losses. After the reform, the port administrative bureau and the shipping company may decide on the establishment of their organs according to the characteristics of enterprise management, and their major leaders will be appointed by the city. The two deputy managers in charge of domestic and international shipping will be employed through citywide open invitation.

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CSO: 4020/217

BIDS CALLED TO BUILD BEIJING-TIANJIN-TANGGU LINK

HK130214 Beijing CHINA DAILY in English 13 May 87 p 1

[Article by Xu Yuanchao]

[Text] Fifty-one foreign companies and groups are expected to submit bids to construct a 142-kilometre expressway from Beijing to Tanggu port via Tianjin.

The route will be one of China's priority projects during the current five-year plan (1986-90), an official of the China International Tendering Company said.

The World Bank will grant \$150 million as part of the investment for the project, the official said. Other funds will be provided by the Ministry of Communications and the Beijing and Tianjin municipal governments.

A State-owned company named the Beijing-Tianjin-Tanggu Expressway United Corporation was set up last month to oversee construction and management of the project.

Tian Mingshou, the corporation's general manager, told CHINA DAILY yesterday that the expressway, when completed by the end of 1990, would play an important role in promoting trade between North China and foreign countries. It will also relieve the congestion of container and passenger transport in the area.

The four-lane road will include 52 highway bridges with a total length of 8 kilometres, carrying it over other roads, rivers and railway lines. About 24 overpasses, 8 interchanges, 106 pedestrian underpasses and 364 culverts will be built, Tian said.

The expressway will be 26 metres wide, and motor vehicles will be able to travel on it at a maximum speed of 120 kilometres per hour.

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CSO: 4020/217

BRIEFS

SHANDONG NEW RAILWAY SECTION--Recently Shandong Province began to build the (Pinglan) railway, the first railway built and operated by the province itself. The railway will be located in the areas between Rizhao City and Junan County, which is connected with the Yanshi railway at the western end and whose eastern end is at Lanshan port. The total length of the railway is 33.8 kilometers and total investment in it is more than 46 million yuan. The construction of the railway is the province's key project during the implementation period of the Seventh 5-Year Plan. [Text] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 8 Jun 87] /9604

LANZHOU-XINJIANG RAILROAD UPGRADING--According to JINGJI RIBAO, to meet the requirements of social and economic development in northwest China, the State Council recently officially approved a project for technological improvement and modernization of the entire length of the Lanzhou-Xinjiang railroad. Total investment will be 514 million yuan. The Lanzhou-Xinjiang railroad is a major communications link between west China and the interior, totalling 1,884 km in length. After improvement, the section from Lanzhou West to Wuwei South will be electrified, and the section from Wuwei South to Urumqi will be worked by diesel locomotives. Following the upgrading of the entire line, annual freight transport capacity can be raised to over 12 million tons. The electrified section from Lanzhou West to Wuwei South is 281 km long and has 40 stations. The upgrading will include the expansion and improvement of 34 of these stations and the construction of one new one. According to our information, the construction units have already started work, and by yearend they will have completed the electrification of nine stations. [Text] [Xining Qinghai Provincial Service in Mandarin 0430 GMT 12 Jun 87] /9604

NEW SHANDONG AIRPORT--Jining airport, formerly a first-class reserve airport of the PLA Air Force, has been formally opened to use by civil airline planes. At 1030 on 18 May, a chartered plane carrying members of the three Japanese tourist groups on the route between Qingdao and Qufu cities arrived at Jining airport for the first time after a 40-minute flight. While descending from the plane, the 53 Japanese passengers happily said that we had cut a 10-hour flight. Opening the Jining airport to the outside world has made things convenient for tourist activities in the nine national level and 26 provincial-level places of historic interest and scenic beauty. [Text] [Jinan DAZHONG RIBAO in Chinese 21 May 87 p 1] /9604

CHIWAN HARBOR IMPROVES CAPACITY--Shenzhen City's Chiwan harbor has already been built into a deepwater port as well as a logistics base for exploiting petroleum in the South China Sea. During his inspection tour of the Shenzhen Special Economic Zone in August 1981, Premier Zhao Ziyang put forward a proposal for using foreign capital to build the port after taking into account Chiwan's superior natural conditions and the needs for exploiting petroleum in the South China Sea. Chiwan harbor has so far completed the building of 13 berths for 2,000-ton, 5,000-ton, and 10,000-ton class vessels. The harbor's handling capacity approaches the handling capacity of Xiamen harbor and catches up with Sanya harbor's handling capacity. When Chiwan harbor completes the building of two berths for 35,000-ton class vessels this year, its handling capacity will be further enhanced. [Excerpts] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 26 May 87] /9604

EAST CHINA RAILWAY CONSTRUCTION--Shanghai, 2 Jun (XINHUA)--Railway construction in east China has begun. Some 7 billion yuan will be used for this purpose during the Seventh 5-Year Plan. Construction of the line between Yingtan and Xiamen--the first electrified stretch in east China--is being speeded up. The section between Yongan and Zhangping will be completed this year. Construction of the line linking Shangqiu and Buyang began in the first quarter, and the line between Hubei's Daye and Jiangxi's Shahejie is planned for completion by the end of this year. A 24-kilometer and a 65-kilometer multiple-track line will be completed this year respectively between Shanghai and Hangzhou and between Zhejiang and Jiangxi. Shanghai's new passenger station will be completed and put into use this year. [Summary] [Beijing XINHUA Domestic Service in Chinese 2347 GMT 1 Jun 87] /9604

CHEN MUHUA NAMES SHANGHAI-BUILT SHIP--Beijing, 7 Jun (XINHUA)--Today's economic news briefs: Chen Muhua Names Ship--Chinese State Councillor Chen Muhua has given a name to a 64,000 dwt ship built by the Shanghai Jiangnan shipyard for Liberia. The ship, named "CSK Fortune," is equipped with the most advanced marine equipment and said to be the biggest among similar ships built for export. [Excerpt] [Beijing XINHUA in English 0546 GMT 7 Jun 87] /9604

GUANGXI PORT PROJECTS COMPLETION--Beijing (CEI)--The construction of 7 deep-water berths capable of anchoring ships of 10,000 dwt and major support projects have been completed and put into operation in Fangcheng Port in the Guangxi Zhuang Autonomous Region. One of the leading ports along southern China's coast, Fangcheng faces the Beibu Gulf in the south and is 470 nautical miles from Hong Kong. With deep waters and little silt, the port is a natural ice-free and sheltered harbor. The port was officially opened to the outside world in 1984 and it has an annually handling capacity of 3.60 million tons of cargo. [Text] [Beijing XINHUA in English 0619 GMT 27 May 87 OW] /8309

NEW GUANGDONG RAILWAY--Guangzhou, June 1 (XINHUA)--A 92-kilometer new railway in western Guangdong Province opened to traffic Sunday to facilitate tourists to the scenic city of Zhaoqing and exports of pyrites from Yunfu. The railway from Sanshui to Yaogu is a top-priority national project involving 560 million yuan (about 150 million U.S. dollars) in investment. It is a section of the railway between Sanshui and the industrial city of Maoming. Work started four years ago. The line is connected with the railway from the Guangdong provincial capital of Guangzhou to Sanshui. A feeder railway links Yaogu to Yunfu, China's largest pyrite mine. [Text] [Beijing XINHUA in English 0744 GMT 1 Jun 87] /8309

DECLINE IN JUTE, HEMP OUTPUT TO CONTINUE IN 1987

HK110947 Beijing CHINA DAILY in English 11 Jun 87 p 2

[Text] The total output of jute and hemp will continue to decrease this year due to a nationwide decline in the cultivation of these two plants, but demand is expected to increase by 50 per cent over 1986.

An investigation by the Ministry of Commerce on the country's 12 producers of the plants found that nine of them had reduced cultivation this year.

Henan Province has grown about 46,660 hectares of the two plants this year, down 32 per cent from last year; meanwhile, Shandong Province has reduced its acreage by 30.6 per cent to 16,660 hectares and is estimated to produce some 31,000 tons of the plants, a 18.4 per cent drop from 1986.

Anhui, Sichuan provinces and Guangxi Zhuang Autonomous Region have also reduced their acreages between 19.1 and 9.1 per cent this year.

The investigation also discovered four factors linked to the decline in the cultivation of jute and hemp in the past two years:

Compared with grain and other cash crops, the two plants are less profitable. According to the investigation, farmers in Henan Province can get 100 yuan (\$27) net profit from growing seven acres of rice but only 66 yuan (\$18) from jute or hemp in 1986.

The purchasing price for ramie is more than 2,000 yuan (\$540), much higher than that for the two crops.

The abundant harvest of the two plants in 1985 has resulted in a piling up of basdt-fibre materials and some areas in the country still have unsold stocks. Many farmers gave up growing the plants this year fearing a dwindling market.

Many provinces and regions have withdrawn incentives, such as chemical fertilizers, originally given to jute and hemp farmers.

Meanwhile, packaging materials, like gunnysacks, have become popular again on the world market. The export department will also need more jute and Deccan hemp.

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CSO: 4020/219

ANIMAL HUSBANDRY MACHINERY OUTPUT RISING

HK110710 Beijing CHINA DAILY in English 11 Jun 87 p 3

[Article by staff reporter Wang Xingcun]

[Text] China's animal husbandry machinery industry has made great progress in the past six years.

Its annual total output value has risen from 60 million yuan in 1981 to more than 220 million last year, an official of the Agricultural, Animal Husbandry and Fisheries Ministry said.

Shen Chaoying, general manager of the China Agricultural and Animal Husbandry Machinery Corporation, said yesterday at a press conference that only 31 State-run plants produced equipment for animal husbandry in 1980. Total output was 132,700 units of 100 different types.

But he said China can now produce 400 different types of equipment. Last year, it made 286,100 units.

At present, more than 80 state-owned plants are manufacturing animal husbandry machines under the leadership of Sheng's corporation.

Sheng said an imbalance existed in the development of production throughout the country, with farming areas and township suburbs developing quicker than pastoral areas.

He told CHINA DAILY that chicken-feeding and breeding machines, and feed processing equipment are needed badly because chicken runs and feed processing plants are increasing rapidly in most counties.

The production of forage processing and chicken farming equipment has quadrupled since 1984. At the same time the industry has exported \$6 million worth of equipment.

The State Council is holding a national conference on pastoral-area work, and development of animal husbandry is high on the agenda.

A sales exhibition of animal husbandry machinery started yesterday in Tongxian County east of Beijing. It finishes on Monday. Eighty enterprises are attending, with about 1,000 machines on display.

ILLEGAL TRADING IN GRAIN COUPONS NOTED

HK150529 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English
15 Jun 87 p 1

[Article by Li Xiguang]

[Text] As hundreds of world food experts gathered in Beijing last week to discuss food questions at the 13th session of the World Food Council, Chinese grain authorities were concerned by a problem little known to foreigners.

China's grain distribution system for urban dwellers, a coupon system which dates back more than 30 years, now creates a problem not because of shortages but because of a surplus.

In Beijing alone, about 300 million kilograms worth of surplus grain coupons, more than the city's regular consumption for two months, have been accumulated over the years. Each adult city dweller is entitled to about 15 kilograms of grain.

"Those coupons are valid and can become buyer power at any time" an official from the Beijing Grain Administration said.

China's grain rationing system allows coupon holders to buy food at State subsidized prices. At State-run grain stores, which require coupons, a kilogram of wheat flour sells for 0.37 yuan, while on the free market, the same amount sells for 0.84 yuan. That price difference has given a value to grain coupons which urban dwellers get from the State for nothing.

As the current economic reform allows farmers to do business in cities, they need grain coupons to live there. So black market dealing in grains coupon began to develop.

Beijingers expecting to spend cash in farmers' markets or at street corner stalls find themselves being asked to pay grain coupons for assorted goods.

Six kilograms worth of coupon can be exchanged for half a kilogram of eggs, one kilogram worth of coupons can be exchanged for 10 metres of rope, and 47 kilograms of coupons are worth a leather travelling bag.

Apart from those immigrants from rural areas who need coupons to buy cheap priced food at the state-owned stores, most of the traders use the coupons to purchase vermicelli at the State shops and resell it back in the countryside at a higher price, and then use the money earned to buy cheap eggs from the peasants and trade for coupons in the city again.

Some egg vendors take in as much as 100 yuan worth of grain coupons a day. Because dealing in coupons is so lucrative, traders come to Beijing from many provinces. Jia Sufang, a young woman from Baoding, Hebei Province, has been trading eggs for coupons for more than two years in the Zhongguanchun market. She says she can make at least 100 yuan (27 dollars) a month from the trade.

An official legal journal commented recently: "This illegal trade has an adverse impact on socialist economic order. It must be stopped. Otherwise, the state's planned food supply will be threatened; and price regulation and normal circulation of merchandise will be disrupted."

In the first half of last year, the Beijing market administration confiscated almost 125,000 kilograms worth of coupons from illegal traders.

But many of the traders show no concern. "Over the past two years I have been caught twice. But I don't care. They only fined me five yuan," Jia Sufang said.

The Beijing Grain Administration has drafted a regulation to tighten control on grain coupon management and crack down on illegal dealings.

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LARGE 1986 HARVEST OF 'AQUATIC PRODUCTS' REPORTED

OW162121 Beijing XINHUA in English 0635 GMT 15 Jun 87

[Text] Beijing (CEI)--With a total of 320,000 hectares of water surface used, China produced a total of 860,000 tons of aquatic products last year, becoming the world's biggest producer of shrimps and prawns.

According to reports of the PEOPLE'S DAILY, China is trying to make full use of its 18,000 km of coastline, with focus on polders, to breed marine products. Both the varieties and output of the products have been increased by a wide margin. Last year, the country reported a 17.4 percent and a 21 percent increase respectively in water surface used for fisheries and in total output of aquatic products, respectively.

In some coastal areas, output of marine aquatic products raised in coastal waters in more than that of fishing catches.

To boost fish raising, coastal areas have raised funds both domestically and abroad. For instance, the Shandong Province has imported 20 million U.S. dollars worth of foreign investment over the past two years.

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BRIEFS

AGRICULTURAL LOANS--By the beginning of May, agricultural loans from agricultural banks and credit cooperatives were more than 74 billion yuan, an increase of more than 8.2 billion yuan over the same period in 1986. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 5 Jun 87 p 1]

HEBEI BEER OUTPUT--In 1987, beer output in Hebei Province is expected to be 250,000-270,000 tons. At present, Hebei has 40 breweries, more than 50 percent are town and township enterprises, and the annual production capacity is about 500,000 tons. Beer output in 1986 was more than 200,000 tons. Beer sales in the first quarter of 1987 were 11,275 tons, a 51.8 percent increase over the same period in 1986. [Excerpts] [Beijing NONGMIN RIBAO in Chinese 6 Jun 87 p 2]

SHANDONG PIGS DECLINE--According to a survey of the Shandong Provincial Food Corporation, in February there were 14,050,000 pigs in Shandong, a 19.4 percent decrease from the same period in 1986. The number of sows declined by 31 percent from the same period in 1986. [Excerpts] [Beijing NONGMIN RIBAO in Chinese 26 May 87 p 2]

SHANXI WATER CONSERVANCY LOANS--To improve construction of water conservancy projects and alleviate water shortages, for the first time the Shanxi provincial government will provide 18,000,000 yuan in discount loans to renovate 3,700 old wells. [Excerpt] [Taiyuan SHANXI NONGMIN in Chinese 4 Jun 87 p 1]

CSO: 4006/772

CYL TO LEAD FIGHT AGAINST JUVENILE DELINQUENCY

HK100741 Hong Kong HONGKONG STANDARD in English 10 Jun 87 p 10

[Article by Chan Wai-Fong]

[Text] The Chinese Communist Youth League (CYL)—China's most powerful youth organisation—is playing a leading role in the fight against juvenile delinquency—a rising worry on the mainland.

No official statistics have ever been released on the number of juvenile delinquents. But in Guangdong Province, the situation has reached such an alarming rate that some 2 years ago a special task force was set up to tackle the problem.

The CYL has become the core of the special team—a coalition of organizations and government departments specializing in youth work, and the education and rehabilitation of delinquents.

The CYL has all the qualifications for taking a leadership position within the group because of its party affiliation for one, and its longtime experience with youth work.

However, in a conversation with the secretary of the C.L in Guangdong some doubts surfaced about its work in the years to come. There are doubts on whether the CYL has come to recognize and can respond to the changes which have taken place over the years in juvenile behaviour in China and in Guangdong in particular.

"Personal problems, family, and other social problems are forces behind the scene. There is nothing special about these," Huang Huahua, secretary of the Guangdong Communist Youth League told the STANDARD recently.

"We are dealing with the issue by joining forces from various sectors of society," he said, emphasising that both political and ideological work is being used.

Schools, families, and various social organizations have been pooled into a comprehensive propaganda and educational campaign to fight delinquency.

However, no details of the program or of the special educational scheme have been provided.

The most widely publicised theme on educating juvenile delinquency is one which helps them to realize their past wrong-doings and prepares and impresses upon them that they can be useful human beings.

The fault seems to lie with the individual rather than the educational system or family problems and society in general.

The juvenile situation in Guangdong, as one of the most open regions in China, is certainly influenced by the availability of Western ideology and also an increase in the standard of living.

There have been reports saying the number of school dropouts is increasing and it is these dropouts who sometimes become juvenile delinquents. There have also been cases of triad activities in the province which have victimised students in the coastal areas.

Officials at the Youth Research Institute in Guangdong admit that young people do have problems in the face of new ideologies and events now running parallel to the old system.

This, among other things, is one of the causes contributing to youth crimes.

The CYL secretary outlined in detail his organization's activities saying that nearly all of these revolve around two main principles--education about the four cardinal principles (the leadership of the Communist Party, following the socialist road, adherence to Marxism-Leninism-Mao Zedong Thought, and dictatorship of the proletariat) as well as austerity--principles which can be applied to all sectors of society.

CYL members in the urban areas visit work units and conduct social work so that they have a more thorough understanding of their society. They also perform voluntary services such as environmental improvement and encourage the upkeep of 'proper' social mores.

However, the frustrations and problems which have emerged with the new economic development and open policies have virtually been left untouched.

Though there are a number of youth organizations aside from the Communist Youth League, such as the Federation of Youth--a federation of youth organizations, the CYL is the most resourceful, the most authoritative and the most devoted to youth work.

In fact, in most of the education institutes in China, the CYL members are in leadership positions.

More than 70 percent of students in the universities in Guangdong are members of the CYL.

Mr Huang, maintaining that young people in the area are affected by new ideologies, was emphatic that the problem of juvenile delinquency in Guangdong has improved through education and a large scale propaganda effort over the years.

"Guangdong is not only open materialistically, but also spiritually. Those things which are beneficial to the four modernizations should be accepted while the negative effects should be discarded.

"The bourgeois liberal ideologies have more influence on youth in general. But we should trust youth to be able to distinguish good from evil," Mr Huang added.

Social activities like fun-fares, dances, and cultural programs are available on weekends. But unlike other activities which young people feel obligated to attend, these are optional.

When asked about the psychology of young people in the province, Mr Huang said that youth studies are a new discipline and properly come under the Youth Research Institute.

The Guangdong CYL has a membership of nearly 3 million, about one-fifth of the total youth population in the province. They are the cream of the society and all have good work and study records.

There are more CYL members in universities than in other establishments.

Mr Huang said that the CYL intends to boost its membership from one-fifth to one-fourth of the youth population.

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CSO: 4000/103

STUDENT'S PRACTICAL EXPERIENCES LEAD TO RESPONSIBILITY

OW081256 Beijing XINHUA in English 1228 GMT 8 Jun 87

[Text] Beijing, 8 Jun (XINHUA)—Jiang Dong felt proud when he first enrolled in Sichuan Teachers' University, but he hadn't ever given a thought to what a teacher faces until his vacation last winter when he returned to his home village and did some rural surveys.

In his report on the survey he says peasants are most concerned about becoming prosperous and their material life has been improved greatly, but cultural life still remains backward in the village and villagers want their children to have a better education.

His essay is one of thousands written by college and high school students from 11 provinces and municipalities. They are being exhibited in the All-China Students Federation offices in Beijing.

The essays and reports attracted the attention of party and government leaders and authorities from many fields of work.

The exhibition shows that Chinese students are trying to combine their book knowledge with practical experiences, said sponsors from the Chinese Communist Youth League Central Committee.

Since October 1983 when the Chinese Communist Youth League Central Committee called on students to take part in social practice during vacations, two million college and middle school students have engaged in practical work and surveys in enterprises and rural, mountainous and remote areas.

Some students from China University of Science and Technology said that through practical work they've learned to take practical conditions and the interests of the people into consideration.

The university's 800 students spent their spring vacation taking part in practical work or doing surveys in nearby mines and rural areas. When working with the workers in a pit 500 meters underground, a group of students were told by an old worker that they hoped "students will use their knowledge to help improve working conditions for miners."

More than 100 students from Huaxi University of Medical Sciences and Chengdu College of Traditional Chinese Medicine went to the area bordering Guizhou and Sichuan provinces during their winter vacation. There they saw not only improvement in people's economic life but also the reality of poor medical service.

Another student gave up his dream of becoming a medical research worker and is now determined to work as a doctor in the backward area after graduation.

Liu Yiqin, a student from Huaxi University of Medical Sciences, began to believe what he learned at university is far from what is needed to serve the society. "Before I felt so proud of the good marks I achieved in some courses, but facing so many patients I feel ashamed of the thoughts. I learn more from the practical work than at school compound," he said.

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